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# The Rehn-Meidner Plan and the Swedish development model in the Golden Years

## *O Plano Rehn-Meidner e o modelo sueco de desenvolvimento nos Trinta Gloriosos*

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RESUMO: Em geral, a literatura sobre o estado desenvolvimentista estuda a Ásia e a América Latina, não a Escandinávia. Este artigo examina o caráter desenvolvimentista do Estado ma Suécia, distinguindo-o como um caso específico por suas instituições e políticas combinarem a promoção simultânea da industrialização e da equidade social. O artigo analisa o modelo sueco de desenvolvimento a partir de seu cerne, o Plano Rehn-Meidner (R-M), uma estratégia política de desenvolvimento liderada pelo Partido Social-Democrata Sueco (SAP). Argumenta-se que na Suécia a industrialização e a construção do *welfare state* foram duas faces da mesma moeda. O Plano R-M desempenhou papel-chave na consolidação, entre 1945 e 1975, do modelo sueco. Combinou e articulou o desenvolvimento econômico, centrado na industrialização, a redução das desigualdades sociais e a estabilidade fiscal e monetária. Incrementou a complexidade produtiva e a igualdade, unificou a política econômica e a política social, a industrialização planejada e a redistribuição de renda. Estruturou-se mediante um amplo pacto de poder entre trabalhadores, industriais, agricultores, representantes políticos eleitos pelo SAP e a burocracia pública. Institucionalizou-se, sobretudo, pelo arranjo corporativista democrático das negociações centralizadas de salário.
PALAVRAS-CHAVE: Suécia; Plano Rehn-Meidner; estado desenvolvimentista.

ABSTRACT: In general, the literature on the developmental state studies Asia and Latin America, not Scandinavia. This article examines the developmental character of the state in Sweden, distinguishing it as a specific case, because its institutions and policies combine the simultaneous promotion of industrialization and social equity. The paper analyzes the Swedish model of development, centered in Rehn-Meidner Plan (R-M), a political strategy

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of the national development headed by the Swedish Social Democratic Party (SAP). It is argued that in Sweden industrialization and the construction of the welfare state were two sides of the same coin. The R-M Plan played a key role in consolidating the Swedish model between 1945 and 1975. It combined and articulated economic development, centered on industrialization, reduction of social inequalities, and fiscal and monetary stability. It increased productive complexity and equality, unified economic policy and social policy, planned industrialization and income redistribution. It was structured through a broad power pact among workers, industry, farmers, political representatives elected by SAP and public bureaucracy. It was institutionalized, above all, by the democratic corporatist arrangement of centralized salary negotiations.
KEYWORDS: Sweden; Rehn-Meidner Plan; developmental state.
JEL Classification: O14; O21; N14.

## INTRODUCTION

In general, studies on the developmental state focus on countries in East and Southeast Asia or Latin America (Johnson, 1982; Amsden, 1989; Haggard, 1990; Wade, 1990; Evans, 1995). It is not usual to approach the developmental character of Scandinavian countries, generally classified as welfare states with a social democratic profile (Esping-Andersen, 1990). In relation to Sweden, the traditional focus on the social sciences prioritizes its welfare state, but does so leaving the related industrial transformation in the background. In this sense, the article aims to fill this gap of social democratic development in the literature of political economy and social sciences on the developmental state.[1]

Therefore, the analytical objective of the article is to provide evidence to argue about the simultaneously developmental and social character of the Swedish State during the Golden Years (*Trente Glorieuses*), marked by the hegemony of the Social Democratic Party, which ruled uninterruptedly from 1932 to 1976. The main lever of the social state – Swedish developmentalist was the Rehn-Meidner Plan, which was linked to a series of complementary tax, fiscal, credit and public investment policies in selected industrial segments.[2]

The central aspect of the Swedish developmentalist state was the execution of the Rehn-Meidner Plan, linked to a series of complementary policies of a tax, fiscal, credit and public investment nature in selected industrial segments. The coordination of the country's economic and social policy was part of a national devel-

[1] It differs, in terms of focus, from the article The Swedish Model: an alternative to macroeconomic policy (Viana and Cunha, 2016), which seeks a more general understanding of the Swedish Model, worried on the specific arrangement of macroeconomic policies of this model, without the emphasis on economic and social development pursued here.

[2] Social-developmentalism is understood here as the articulation, by the State, of developmentalist and socialist policies of a universalist and redistributive nature, inserted in a democratic-representative institutional framework, such as that existing in Sweden.

opment strategy supported by a socio-political and political-institutional coalition among the key players in the development process: on the one hand, industrial entrepreneurs, workers and farmers and, on the other side, elected representatives and public bureaucracy. Thus, there was specific coordination and articulation of economic and social policies, aiming to ensure full employment, macroeconomic stability and reduction of social inequalities, in an environment of increasing industrial productive complexity.

Thus, in the so-called "Swedish model", a national variant of the social democratic model of capitalism (Amable, 2003), production and distribution were interdependent dimensions, with a correlation between development and the welfare state, between "social reforms intelligently planned" – of an egalitarian type and conceived as investment – and productive development (Myrdal, 1977, p. 188-9). Sweden became, over this period, a modern and socially integrated industrial state through the political control of economic development (Sejersted, 2011, p. 172 and 483).

The paper will not address the complex, multifaceted and still controversial process of crisis and collapse of the development model based on the Rehn-Meidner Plan, which occurred in the 1970s and 1980s, due to the limited space for publication. The delimitation of the object in such a model serves the purpose of expanding the framework of developmental literature by elucidating a successful and distinct case of development, executed in a democratic context and combined with an egalitarian proposal.

The next section is intended for the national and international contextualization of the Swedish model; the following shows the R-M Plan and its execution. In the end, there is a brief final consideration.

## HISTORICAL FRAMEWORK

During the Golden Years, the articulation between production and distribution and between supply and demand was observed in the welfare states in the central capitalist countries. State intervention and planning enabled these processes, which simultaneously promoted industrialization, technological advancement, full employment, the reduction of social inequalities, the expansion of the consumer market and the public social apparatus (Shonfield, 1968).

Domestic and international factors contributed to these changes. Internally, the broad commitment around these objectives, adding labor and business organizations and related parties, reinforced the state's capacity to promote them. This pact was strengthened due to the institutionalization of interclassist cooperation in democratic corporatist arrangements then existing in most Western European countries. Such arrangements strengthened the ideological perspective of political partnership for the construction of industrialized social welfare states and favored the voluntary, formal and informal coordination of conflicts, thus conferring a specific way of formulating and sustaining State decisions (Katzenstein, 1985).

As for international conditions, the coalition and state activism referred to were favored by the existence of the Bretton Woods System, especially two aspects of the monetary and financial order led by the USA, namely, the dollar-gold standard and capital control. On the one hand, the fixed exchange rate regime allowed for lower price volatility in the currency market. On the other hand, the control of capital allowed the governments of the central capitalist countries to control the international movement of short-term capital, to stabilize the exchange rate and stimulate trade integration. This system guaranteed a sufficient degree of autonomy for governments to implement monetary and fiscal policies appropriate to the construction of welfare states, then an objective of national interest, given the existing social pact (Frieden, 2008; Helleiner, 1994). Furthermore, the post-war perspective of economic policy to pursue full employment was fundamental to the Swedish model (Skidelsky, 2009).

In Sweden, the construction of a social democratic state of social welfare was grounded and closely related to the perspective of a developmental state. The increase in productivity levels, the nationalization of centers of accumulation and technological innovation, the full use of the country's physical capacity (including the workforce) and the concentration of resources in the large national exporting companies were central points of the political strategy of formation of a more egalitarian and affluent society.

For the Swedish Social Democratic Party (SAP – Sveriges socialdemokratiska arbetareparti), which ruled uninterruptedly from 1932 to 1976, the achievement of a national development strategy simultaneously served the party's programmatic agenda – consolidated at the 1932 National Conference and the Program Post-War 1944 – and the need to coalesce with social sectors other than industrial workers, organized in the union center LO (Landsorganisationeni Sverige), which is still the largest in the country. The forceful defense of a broad nationalization of industry and the financial sector, proposed by the party until the 1920s, was abandoned, replaced by leadership and state intervention, by the political planning of the economy, to develop the productive forces and place them at service of collective demands, such as full employment and universalist social policies. This path would lead to economic democratization (Bergström, 1992).

Since the historic parliamentary speech of SAP leader Per Albin Hansson in 1928, the Folkhemmet (home of the people) has been the normative principle of social democratic action, which pursued a broad national coalition between classes and fractions of classes, to achieve government by participation competitive in democratic-representative institutions, thus obtaining the political means to erect a welfare state of a popular and universalist character (Esping-Andersen, 1992). This SAP guideline is consistent with and illustrates that of the other social European democrats (Przeworski, 1985).

In terms of political coalitions and institutions, the social democratic strategy emerged from two decisive agreements that occurred in the 1930s, which lasted in the following decades. The first was the agreement between SAP and the Agrarian Party in 1932, called "Cow Agreement" (Kohanden in Swedish), in which workers, led by social democracy, agreed to grant subsidies and protection to agriculture, at the expense of increase in the price of urban foodstuffs, obtaining in return the support of farmers and their representatives to the government's economic recovery program by increasing public investments in social protection, infrastructure works and job creation. Such an agreement was decisive for the electoral victory and for obtaining the social democratic majority in the Swedish parliamentary regime.

The second was the Saltsjöbaden Agreement in 1938, when the LO and SAP, the main industrial federation, established a pact supported by the government. they would maintain and deepen collaboration with the Social democratic government, which has been in an informal course since 1932, as well as accepting the expansion of the welfare state and the payment of higher salaries.

In this context of agreements, the commitment to industrialization was fully assumed by the workers' movement and by social democracy, which reinforced the convergence of interests between workers and industrialists. From then on, collective bargaining would be the main form of conflict resolution and consensus building between employers and employees, this method being the foundation of the democratic corporatist arrangement of centralized wage negotiations, which were in force in the 1950s.

Certain fundamental political conditions for the realization of the development strategy adopted after the Second World War (hereinafter II WW), such as discipline in the production environment and the high degree of agreement around increasing productivity, improving public services and general quality of life, were created before the war conflict. Furthermore, Sweden's neutrality and non-occupation during the Second WW, guaranteed by a government of national unity led by the Social Democrats, preserved the country's productive framework. Sweden emerged from the conflict under advantageous economic conditions, as its robust industrial park met the growing demand for capital goods from other European countries that were being rebuilt (Gourevitch, 1986; Magnusson, 2000; Pontusson, 1996).

The spirit of interclassist cooperation then built, under the leadership of the government, served the interests of all parties involved. Economic development and the construction of a welfare state were understood, by the main Swedish political agents in the period, as interdependent variables that could be balanced in a positive sum game to be coordinated by the social democratic government, whose party abandoned the idea of expropriating capitalists. Full employment, higher wages and the expansion of social protection, aimed at by workers, farmers and the middle class, depended on a higher level of sophistication and productive efficiency, which, in turn, would not be achieved without a relative harmony in labor relations in the production environment and without guaranteeing businessmen in the most advanced sectors of the economy to obtain a profit margin compatible with the maintenance of large capital investments necessary for development.

In turn, the social policies adopted in the period were not only aimed at compensating workers for the exploitation of the labor force, but, above all, to boost productive restructuring, giving priority to large national exporting companies (especially in the engineering sector, in which Sweden is based highlighted). In most industries, private property coexisted with a wide range of political regulations, in addition to the direct intervention of the State, through public companies, in order to provide the infrastructure and services essential to economic development.

Throughout the social democratic period, large state-owned firms were created, such as, among others, the development bank AB Industrikredit, in 1934; the steelmaker NJA, in 1939; the war material company FFV, in 1940; the forestry company ASSI, today Sveaskog, in 1941; the nuclear power company Atomenergi, in 1947; the Rymdbolaget (Swedish Space Corporation, in English), in 1972. There was also the complete nationalization of the mining company LKAB, in 1957, and, in the 1960s, of some capital goods, building material and pharmaceutical companies. Post, telecommunications and railroads were state monopolies until the 1980s and 1990s. However, the public business sector never employed more than 10% of the workforce; the productive sector remained, for the most part, under private control (Magnusson, 2000; Bohlin, 2014).

The Swedish Social Democratic Welfare State was, in essence, social-developmental, as its main objective was to stimulate the country's industrial development together with the realization of full employment and the reduction of socioeconomic inequalities. This articulation between development and social well-being, by the fusion of economic and social policies, produced a positive sum game in the different classes, so that the interclassist coalition and the successful results reinforced each other (Esping-Andersen, 1992). This characteristic reached its peak with the formulation and implementation of the Rehn-Meidner Plan from 1951.

## ASPECTS OF THE SWEDISH DEVELOPMENT MODEL

### Rehn-Meidner Plan

The heart of the Swedish model was the Rehn-Meidner Plan (hereinafter R-M)[3], whose name is due to its creators having been the economists, GöstaRehn and Rudolf Meidner, both of the LO, whose 1951 congress ratified it. Successive governments executed it until 1983, when, due to the crisis in the Swedish model of development, it was formally extinguished.[4] Its formulators considered that Sweden's fundamental challenge after World War II was to maintain, at a high and rising level, the use of productive capacity (which had not been affected by the war), with-

[3] The main points of this plan were disclosed in articles in the social democratic newspaper Tiden and organized in the report The Union Movement and Full Employment (Fackföreningsrölelsenoch den fullasysselsättningen). The main public policies have since been based on the plan's guidelines.

[4] This crisis, which started in the early 1970s and has been aggravated since the public debate on the Wage Funds and the center-right electoral victory in 1976, was complex, involving domestic and international factors. Its explanation is beyond the scope of this article.

out generating inflationary distortions and inequalities. In a LO report (1953), Rehn and Meidner argued that, since the free market does not guarantee full employment and equality, the achievement of these objectives depended on an economic and political strategy. However, contrary to what Keynesianism advocated, government planning took place on the supply side (above all ensuring labor mobility and the formation of public savings), and not on the demand side. The economic thinking of this Stockholm School was highly influential in the Swedish public debate, it anticipated much of Keynesianism and moved towards a dynamic conception of productive structures, which Keynes lacked (Erixon, 1996; Skidelsky, 1996).

The R-M Plan was a proposal aimed at achieving productive restructuring, strengthening the financial position of the State – to make it the main agent of economic and social coordination – full employment and a low level of inflation, through the articulation of wage policies, social, tax, fiscal, social security and financial. It was supported by democratic corporatist arrangements, which operated as the institutional backbone of the socio-political coalition between workers, represented by LO, and industrialists, represented by SAP (LO, 1953; Lundberg, 1985).

An axis of the plan was the solidarity wage policy, negotiated in each productive branch in nationally centralized corporatist instances and conducted by the government. They started in 1951-1952 and lasted until 1983. At the end of that period, SAP and some white-collar union associations withdrew from the negotiations, formally ending the R-M Plan's strategy[5].

These centralized wage and salary negotiations established the principle of equal pay for equal work, regardless of the companies' profitability. Wages and salaries started to be calculated by the nature of the work, and not by the financial conditions of each company in particular, especially disadvantaging the less profitable and efficient ones, who were, therefore, pressured to increase their productivity, under the risk of succumbing. Salary increases higher than the categories with the worst pay were granted, intensifying the increase in costs for less complex companies, with cheaper labor, and easing for more complex ones, with more expensive labor. This forced the first type companies to increase their efficiency and productivity in order not to disappear from the market, while allowing the second type companies a certain profit margin necessary for investment in high level production, generating jobs, income and contributing significantly for the country's development. Wages and s alary increases and economic growth are now linked.

In addition, the relative moderation of wage and salary readjustments in the best-paid categories prevented a dizzying and potentially inflationary increase in demand and served the strategy of reducing wage and salary inequalities among the various categories of workers, contributing to achieving the goal of a more egalitarian and more productive society. Based on these official guidelines, salary increases could be negotiated directly between workers and industrialists, according to their interests, through the mediation of the respective class associations.

[5] Negotiations were decentralized until they were finally closed in 1990 (Hibbs and Locking, 2000).

The objective was that, by compressing profits, but not wages and salaries, the less efficient and sophisticated firms would fail due to the inability to cope with the increase in the price of the labor force, especially the one with the lowest qualification and remuneration. Due to the austerity of capital, and not of work – hence its solidarity character –, social democratic policy favored industrial restructuring for the benefit of more complex, advanced and exporting firms, especially in the engineering sector.

This wage and salary policy with a strong egalitarian content was designed to serve as an industrial restructuring policy, directing capital and labor to large and highly complex national companies. In these terms, it obtained support from the main industrialists for the process of simultaneously economic and socio-equal development promoted by the social democratic governments. The compression of profits also served to pressure the unions to moderate the demands for wage increases, so as not to make firms and therefore jobs unfeasible. This wage moderation, especially in the higher-paid categories, prevented overheating demand and sharply rising inflation, while reducing social inequalities (Alexopoulos and Cohen, s/d; LO, 1953; Otter, 1980; Pontusson, 1996; Hibbs and Locking, 2000; Magnusson, 2000; Sejersted, 2011; Schön, 2012; Bohlin, 2014; Viana and Cunha, 2016).

As shown in Table 1, during the R-M Plan, wage inequality was reduced. But, after the end of this model, starting in 1983, they started to grow again.

Table 1: Wage dispersion index in Sweden

| | 1962-1970 | 1970-1983 | 1983-1993 |
|---|---|---|---|
| Total Dispersion | -0,34 | -0,61 | +0,49 |
| Intra-industry | -0,26 | -0,63 | +0,39 |
| Intra-plant | NA | -0,598 | +0,41 |
| Inter-industry | -0,50 | -0,58 | +0,76 |
| Interplant | NA | -0,46 | +0,56 |

Source: Hibbs and Locking (1995, p. 100).

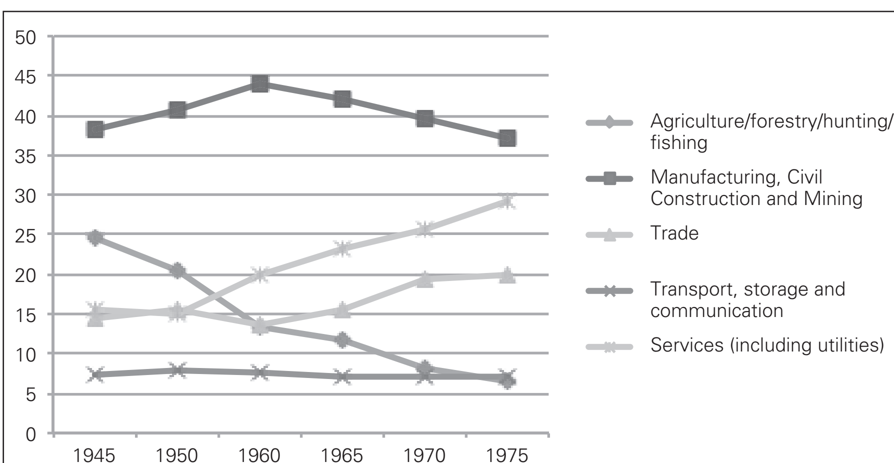
The solidarity wage policy was associated with the active human resources policy, a set of social policies aimed at training and reallocating the workforce, which directed large public resources to training and qualification programs for workers, job changes and mobility subsidies of employees (given the large rural exodus in the period). These measures stimulated the displacement of the workforce to the largest firms, with higher levels of employability and wage remuneration.

One of the main institutional means of State intervention in this field was the Swedish Labor Market Council (AMS), created in 1948. It was a planning and coordination agency for that market. Its administration was composed of representatives of employees and employers (Magnusson, 2000; Sejersted, 2011). The total number of jobs in the Swedish industry jumped from 783,800 in 1953 to 938,843 in 1963, with the metal-mechanical and engineering sectors accounting for 131,434 new jobs and about 85% of the industrial jobs generated (Alexopoulos and Cohen, s/d, p. 45). The greater industrial mechanization, part of the process of productive restructuring, did not lead to the creation of pockets of unemployment, due to the greater absorption of labor in the service sector – including those of public utilities and infrastructure –, which is closely linked to industrial dynamics. Graph 1 shows the changes in the Swedish occupational structure in the period analyzed and Graph 2 shows how the transfer of labor has benefited the most technologically advanced productive sectors, to the detriment of the less sophisticated ones.

The public resources of the active human resources policy grew rapidly and vigorously, from 1.1% of the government budget in 1955 to 3.7% in 1960 (Bohlin, 2014, p. 121). Thus, the public authorities trained the surplus labor to be relocated in capital and technology intensive companies and with increasing demand for workers, which avoided unemployment due to structural transformations in the productive sector.

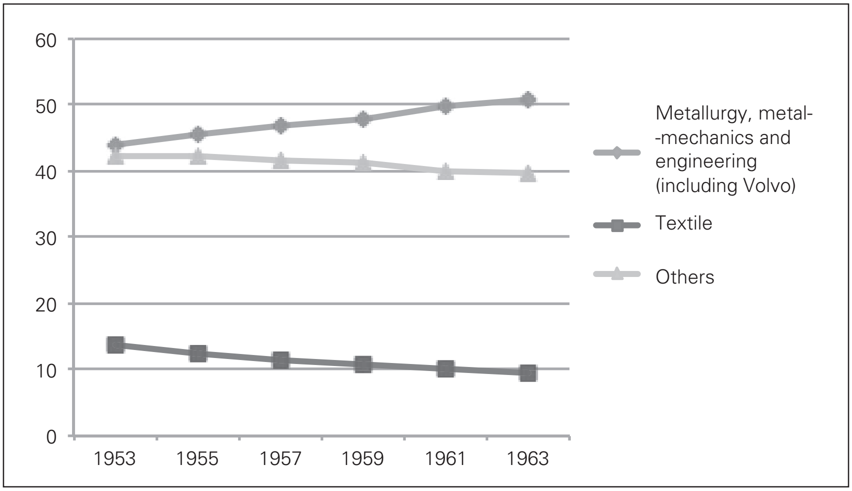
During this period, in connection with the active human resources policy, there was also the expansion, universalization and improvement of basic education and public health, in order to increase the quality of life, technical training and, consequently, the productivity of workers (Magnusson, 2000). As a result of these social reforms, public spending jumped from 10% to 20% of GDP in the 1930s to 50% in 1975 (Sejersted, 2011, p. 319).

Graph 1: Composition of employment in Sweden (%)




Source: Own elaboration from Alexopoulos and Cohen (s/d, p. 42).

Graph 2: Distribution of jobs in Swedish industry (%)




Source: Elaborated by Alexopoulos and Cohen (s/d, p. 45).

Political interventions in social assistance were not merely aimed at compensating the most vulnerable, but at integrating them, as wage earners, into a more efficient productive environment (as shown in Table 2) with a greater capacity for payment, giving them the status of workers, rather than of underprivileged. State intervention and planning in the supply of labor, through a functional social policy for industrial development, complemented the economic restructuring role of wage policy, facilitated the transfer of the workforce from the least productive sectors to the most efficient ones, and also contributed for the State to adjust the industrial workers to the productive transformations and to the new demands of qualifications and skills required by the companies (LO, 1953; Shonfield, 1968; Pontusson, 1996; Viana and Cunha, 2016).

Thus, the R-M Plan's vision of economic development was based on an increasing concentration of factors of production in an ever-decreasing number of national firms, generally established before World War II, of an export character and often with a well-defined (usually family) owner, without the characteristic pulverization of contemporary share ownership. There was a deliberate policy of favoring the concentration of capital in large national companies that are highly competitive internationally, in order to become champions in productivity, employability and payment of wages. In addition, the capital concentration aimed to allocate investments with gains in scale and efficiency. The R-M Plan operated an economic policy of artificial selection of companies so that only those that favor accumulation, social welfare and competitiveness in international trade would survive, with the democratization of the benefits of technical progress. Thus, it was possible to mitigate, within a moderately socializing bias, the private character of the profits of large companies (Högfeldt, 2004).

Table 2: Annual Income and Productivity growth
(in%) by industrial segment, 1950-1975

| Segment | Growth Rate | Growth of Productivity |
|---|---|---|
| Chemical | 8,4 | 7,4 |
| Steel and Metallurgy | 6,8 | 5,9 |
| Engineering | 6,7 | 5,9 |
| Paper and Cellulose | 6 | 7,1 |
| Wood | 4,7 | 4,9 |
| Mining | 4,2 | 6,8 |
| Graphic | 4,2 | 4,7 |
| Foods | 2,9 | 3,8 |
| Textile | 0,9 | 5,2 |

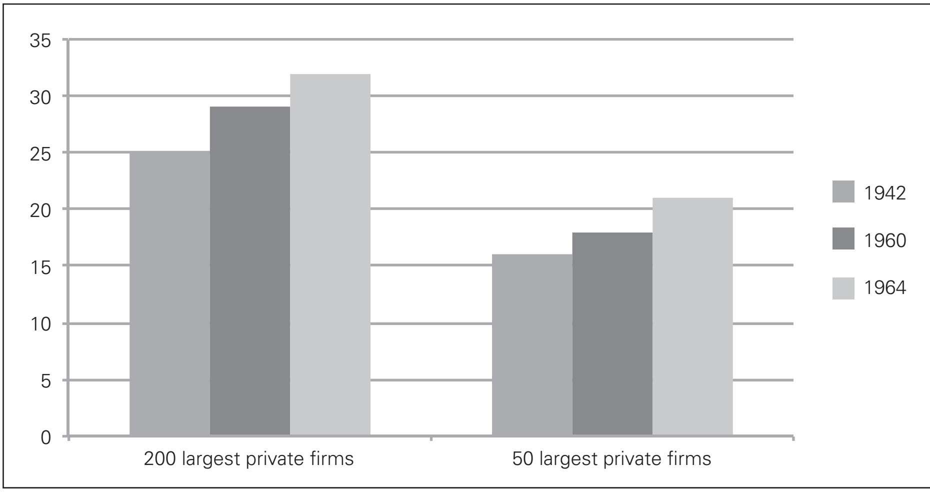
Source: Adapted from Schön, 2012, p. 267.

Of the 442 sectors studied by a government commission in the 1960s on concentration of ownership, 228 were controlled by a small number of companies, including the mining, metallurgy, chemistry, electronics and paper sectors. In 1960, fifteen proprietary families controlled 41% of the largest companies (Högfeldt, 2004, p. 530). According to data for 1964, the 293 largest private companies employed about 735,000 workers, corresponding to 27% of the workforce employed and 35% of those hired in the private sector.

Specifically in the industrial sphere (counting the state and private sectors), the concentration was even more acute: in 1964, companies that had one to four employees corresponded to 55% of the total, but employed only 3% of the industrial workforce; the 274 firms with more than 500 employees were 9% of total industries, but employed more than half of industrial workers. In 1963, the 200 largest industrial firms employed 49% of workers and produced 52% of manufactured goods. That same year, the 100 largest industrial firms employed 43% of the workforce and produced 46% of manufactured goods (Commission on Industrial and Economic Concentration, 1977, p. 29-31; Magnusson, 2000, p. 214-5).

Since the II WW, the concentration of the workforce has increased, as shown in Graph 3:

Graph 3: Ratio (in %) of the private sector workforce




Source: Own elaboration from Comission on Industrial and Economic Concentration, 1977, p. 29-31.

## Complementary Policies to the Rehn-Meidner Plan

The R-M Plan, although it was the main component of the Swedish model, was not the only one. Complementary policies, in the tax, fiscal, credit and public investment areas, acted in synergy with the R-M Plan in the construction of national development.

Another important axis of the Swedish Model was the tax policy adopted. Sweden, historically a low-tax country, had, until the 1970s, a less progressive tax regime than that of other OECD countries. While corporate taxes were below the European average, individual income taxes and taxes on social security were above (Sejersted, 2011, p. 321). The proportion of indirect taxes was higher than that of direct taxes. At the end of the 1960s, 55% of tax revenue came from indirect taxes (Magnusson, 2000, p. 222). This trend was strengthened mainly after the introduction of a sales tax in 1960, initially at 4.2% and which was increased in the 1960s and 1970s, reaching 11.1% in 1968 and 17.6% in 1975 (Steinmo, 1988, p. 428). The option of social democratic governments, during this period, for a tax policy based on indirect taxes aimed to save the profits from high taxation since wage policy was already compressing them. The idea of capitalist impoverishment was out of the question.

In fact, since 1938, tax policy has sought to encourage an increase in private investment by favoring the concentration of capital in large corporations, to the detriment of small and medium-sized companies, to accelerate the pace of economic and social restructuring. Due to the compression of profits by solidary wage policy, taxation was not so costly for large companies, as long as they were conditioned to increased productivity and technological level, which they, due to their larger scale of production, could sustain more efficiently than small companies and averages. Subsidies and tax incentives were applied to investments in machinery, construction and R&D. In the case of R&D expenses in the industrial sector, 90% was financed by the firms themselves (Steinmo, 1988; Högfeldt, 2004). It is estimated that at least 59% of industry growth in the 1950s, 1960s and 1970s was due to the technology factor (Magnusson, 2000, p. 203-4).

As Table 3 demonstrates, the Swedish tax burden was, for most of the Glorious Thirty, less than that of other Western European countries. While taxes were relatively low for the amount reinvested in companies, they were high for what was distributed to shareholders. In this way, the government encouraged productive investments and discouraged the stock market and accumulation without collective purposes (Schön, 2012).

Table 3: Tax-to-GDP ratio(%)

| Countries | 1933 | 1950 | 1960 | 1975 |
|---|---|---|---|---|
| Sweden | 18,9 | 21,0 | 28,7 | 46,6 |
| Norway | 25,1 | - | 32,0 | 44,7 |
| Denmark | 20,1 | 19,8 | 25,3 | 43,0 |
| Finland | 20,1 | 27,8 | 17,5 | 37,5 |
| Netherlands | 18,6 | 30,3 | 30,4 | 46,9 |
| Germany | 23,0 | 30,1 | 33,9 | 35,2 |
| France | 26,3 | 30,2 | 33,4 | 36,9 |
| Italy | 30,6 | - | 27,0 | 32,3 |
| GreatBritain | 25,2 | 33,1 | 27,3 | 36,7 |
| USA | 23,4 | 23,9 | 27,5 | 30,3 |

Source: Adapted of Magnusson (2000, p. 189).

One of the great innovations of the Swedish Model was the expansion, quantitative and qualitative, of the Investment Fund (hereinafter IF), linked to the Central Bank. The IF, created in 1938, was improved and increased especially from 1955. The government offered subsidies to investments made in machinery and R&D, requiring that 40% of the profits (before taxes) obtained be deposited, without taxation and without remuneration for interest, in an account with the Central Bank, thus reducing the total to be affected by the tax burden. The amount would be returned to companies in times of economic slowdown or recession, under authorization from the Central Bank, in order to stimulate investments, guarantee jobs and overcome the crisis. It would also be possible to redeem up to 30% of the amount, without paying taxes, after five years. The government had the right to decide for what purpose the amount released would be used. In the 1960s, the government's priority for using the Fund was regional development.

The IF, therefore, was a powerful countercyclical and developmental government instrument, while allowing the State to control the profit margin of large companies and mobilize it for national development purposes, which would not have been possible if companies were allowed use their profits freely (Bohlin, 2014; Högfeldt, 2004; Lundberg, 1985; Pontusson, 1996; Schön, 2012; Steinmo, 1988).

A central objective of the Swedish Model, already defended in the R-M Plan, was to form a growing public saving in relation to the private one, to strengthen the financial position of the State vis-à-vis the private sector, allowing the former to exercise greater power over capital and credit. In this way, the public power would increase its capacity to coordinate its investments aimed at simultaneously industrial and social development (Lundberg, 1985).

In 1950, private savings accounted for 90% of the total, in 1960 it was 75% and in 1970 it was less than 55% (Otter, 1980, p. 154). The moderately restrictive fiscal policy, but technically adaptable to economic cycles, was one of the most important components of the R-M Plan for contributing to the increase in public savings (Erixon, 1996).

However, the primary instrument of collective savings formation was the public pension fund ATP (Allmänna Tjenstepensionen), created in 1959. This centralized, compulsory and centralized state pension fund guaranteed to all elderly people an income equivalent to two thirds of their income obtained in the best 15 years of the professional history of each worker. Despite the resistance of business sectors to the creation of the ATP, it was instrumental in expanding social security, as well as in increasing the developmental capacity of the State, since its creation was also aimed at forming the public savings necessary to finance transformation projects productive (Myrdal, 1960). Therefore, support for citizens in old age was coupled with the strengthening of the State's financial capacity to guide credit and investments. This was possible due to the fact that the ATP, which grew rapidly to reach 50% of GDP in the 1970s, was a source of public investments in infrastructure, especially housing, and partnerships with the private sector (Högfeldt, 2004; Katzenstein, 1985; Lundberg, 1985).

A great example of ATP's contribution to Swedish industrial and social development was the financing, between 1965 and 1974, of the Million Programme (Miljonprogrammet) housing project. The national government and the municipalities, both in charge of carrying out the works, fulfilled the goal of building one million high-end popular housing in ten years, drastically reducing the housing deficit (Strömberg, 1992). IKEA, a large Swedish furniture company, directly benefited from this program, owing to it a good part of its strong expansion in the period (Daunfeldt et al., 2017). The national white goods industry, especially Electrolux, also benefited from the explosion in demand (Erixon, 1996, p. 28).

In addition, other policies illustrate how the Swedish state has boosted native industry and well-being at the same time using ATP resources. In 1962, SEK (Svensk Exportkredit) was created, a state-owned company focused on financing the export of Swedish firms. The State, from 1965, started to provide loans and subsidies for the creation and installation of companies in selected regions, aiming to reduce regional inequalities. It also created a company aimed at acquiring and restructuring industries in regions with economic difficulties. Numerous state-owned commissions, portfolios, agencies and companies were created with a view to industrial diversification and growth, such as the Economic Planning Commission in 1962; the Investment Bank of Sweden, in 1967, to channel public savings from ATP to high-risk but promising investments from an economic and social point of view; the Ministry of Industry, in 1969, and, inside, the Statensindustriverk, created in 1973 to identify industrial sectors to be stimulated; the Industrial Policy Council; a technological development agency; the Swedish Development Corporation; and a state-owned holding company, Statsföretag AB (Katzenstein, 1985; Bohlin, 1999; Zander and Zander, 1996). Public universities (with a sharp expansion in the number of students in higher education, which jumped from 20,000 in 1950 to 120,000 in 1970), advanced research centers, state-owned companies and the defense sector, which now have additional ATP resources, they were important poles of knowledge generation made available to the largest Swedish firms, within a governmental conception of knowledge as a central component of economic growth (Bohlin, 2014; Högfeldt, 2004).

ATP, together with the strong expansion of the tax burden in the 1960s and 1970s (Table 3), also expanded the fiscal space for directing public resources to the development of strategic and specific sectors. Investments in infrastructure were also expanded, especially in energy, telecommunications, highways and military purchases of automobiles and national planes (Bohlin, 2014; Erixon, 1996; Högfeldt, 2004; Schön, 2012; Sejersted, 2011).

The formation of public savings through the ATP was part of a broad state regulation of the financial sector, which partially preceded the social democratic governments, although they significantly strengthened it, which was essential to the success of the R-M Plan. This financial regulation, essential for strategic planning (Helleiner, 1994, p. 165), aimed to maintain macroeconomic stability, the primacy of production over speculation, the country's economic and social development and a high degree of nationalization of capital (Oxelheim, 1990). The strong relationship that has existed since the 19th century between banks and industries has come to be strongly controlled by the State, in order to be directed towards social democratic political objectives. The Central Bank (Riksbank), subordinate to Parliament, was instrumental in the political administration of the currency, in accordance with government objectives. Although the financial sector remains private, a wide range of political regulations has made it an instrument of national development (Myrdal, 1960).

Among the nationalist financial control[6] previous to the social democratic governments, preserved by them, stand out: the prohibition, since the 19th century, of foreign ownership in the banking, housing and mining sectors, and the limitation, since 1916, in up to 20% of the voting right foreigners in natural resource companies. From the Social Democrats, new controls were added: in the 1930s, the right of foreigners to share ownership in companies listed on the Stockholm Stock Exchange was intended only for unrestricted shares, which corresponded to a maximum of 20% of the voting capital of companies, while restricted shares were only allowed to be owned by Swedish individuals or institutions (Högfeldt, 2004, p. 525 and 534). In 1939, the Exchange Control Act was introduced, which gave the Central Bank a monopoly on foreign currency transactions (Bergh, 2011). Exchange control and, above all, capital movement was strictly applied, especially from 1949 to 1973. In 1951, the regulation of interest rates was established by parliamentary legislation in a range defined by the Riksbank and linked to the discount rate, strengthening the political position of the monetary authority vis-à-vis the banks (Oxelheim, 1990; Larsson and Söderberg, 2017).

Several other financial regulations were also introduced in that decade, strongly applied in the 1950s and 1960s. In 1952, liquidity quotas were introduced to prioritize loans from private banks to the financing of the national treasury and the housing sector, in addition to punitive interest rates for loans considered non-priority, cash quotas (cash quotas) and control of new bond issues. The objective of these measures was to guarantee the financing of state-led economic and social development (Oxelheim, 1990; Magnusson, 2000; Larsson and Söderberg, 2017).

As a result of such controls, all made possible by the Bretton Woods System, the exchange rate remained stable. In 1949, a 30% exchange rate devaluation was decided, in addition to restrictions on imports (later suspended). These political-administrative measures aimed to contain the increase in imports and encourage exports at a time of high European demand for Swedish manufactures, since the productive park was not affected by the war (Magnusson, 2000, p. 203).

In addition, nominal interest rates were kept at a low level, and real interest rates reached negative levels; to avoid inflationary pressures, bank credit was rationed, which was basically directed to the politically priority sectors: hydroelectric infrastructure works, agricultural restructuring and modernization and, above all, popular housing in urban areas. Political regulations also aimed to give public authorities control over the timing of investments (Bohlin, 2014; Larsson and Söderberg, 2017).

[6] Here, economic nationalism is understood, aimed at preserving control and ownership of economic operations in the country in Swedish hands. For an analysis of the relationship between economic nationalism and developmentalism, cf. Bresser-Pereira (2018).

Most of the productive investments came from large national companies in the public and private sectors, which constituted a highly nationalized economic system. In the period covered by this article, foreign direct investments never exceeded 0.8% of GDP, oscillating between 0.2% and 0.4% between 1969 and 1975 (Zander and Zander, 1996). From 1950 to the 1990s, foreign capital never controlled more than 10% of the listed assets in the country (Högfeldt, 2004). In addition to strong controls and regulations, Sweden's failure to enter the European Economic Community made it unattractive to foreign investors. As Francis Sejersted stated, "according to the regulations of the Social Democratic regime, it was within the national boundaries that the business community had to arrange its affairs. [...] It was also part of Social Democratic policy to retain control by means of a certain degree of protection from internationalization and an excessively open economy"(Sejersted, 2011).

Furthermore, the activity on the Stockholm Stock Exchange was practically insignificant between the 1950s and 1970s, since the total stock value traded on it was insignificant in relation to the sum of the market value of the companies listed on it (Waldeström, 2014, p. 30).

This means that Swedish capital was basically dependent on production, not speculation. The Swedish financial system, in line with other European countries and unlike the North American, was based on credit, strictly regulated by a central bank subordinated to the government, and not on the capital market. This factor was crucial for the maintenance of an economy based on physical factors (industry, public services, commerce, etc.), not fictitious as corporate bonds.

As shown in Tables 4, 5 and 6, the R-M Plan's duration was marked by consistent economic growth, development of the industry and physical and social infrastructure, full employment and monetary stability. The strong expansion of the public sector resulted from the expansion of the scope of state intervention to address the political objectives of the governing coalition, above all that of building an industrialized welfare state, whose companies were national champions in international trade. The virtuous combination of economic growth, industrial development and redistributivism ensured, to a large extent, the success of the model.

Table 4: Sweden's macroeconomic indicators (1950 a 1980) (%)

| Period | GDP per capita | Inflation | Unemployment |
|---|---|---|---|
| 1950-55 | 2.0 | 5.4 | 1.8 |
| 1955-60 | 3.3 | 3.7 | 1.8 |
| 1960-65 | 4.7 | 3.7 | 1.5 |
| 1965-70 | 3.3 | 4.4 | 1.8 |
| 1970-75 | 2.3 | 8.0 | 2.1 |

Source: Adapted of Bohlin (2014, p. 123).

Table 5: Annual Growth (in %) of Industrial Production, 1938-80

| Countries | Industrial Production 1938-80 |
|---|---|
| Japan | 14,26 |
| Sweden | 11,82 |
| Italy | 9,50 |
| Canada | 8,19 |
| USA | 7,39 |
| France | 6,02 |
| England | 5,14 |
| Netherlands | 4,99 |
| Western Germany | 2,42 |

Source: Adapted of Ignácio Rangel, 2005 [1985], p. 444.

Table 6: Average annual productivity growth (%) by sector

| Sector | 1945-50 | 1950-60 | 1960-65 | 1965-69 |
|---|---|---|---|---|
| Agriculture | 3.9 | -1.4 | -0.8 | -0.1 |
| Forestry | 6.1 | 1.9 | 0.9 | 2.9 |
| Industry | 7.7 | 3.9 | 8.0 | 5.3 |
| Electricity, gas etc. | 7.0 | 7.1 | 7.9 | 6.4 |
| Construction | 4.9 | 2.3 | 7.2 | 2.3 |
| Trade | 7.5 | 3.9 | 5.7 | 3.4 |
| Communications | 4.0 | 3.9 | 4.3 | 4.6 |
| Housing | 3.2 | 5.8 | 5.7 | 4.9 |
| Private Services | 3.8 | 3.6 | 6.0 | 3.1 |
| Publicservices | 5.1 | 3.5 | 3.3 | 4.8 |

Source: Magnusson (2000, p. 209).

## FINAL CONSIDERATIONS

The Swedish model of economic and social development, advocated by the R-M Plan, is a relevant case of the articulation of three dimensions of politics: the constitution of allies, the democratic conquest of the government to change state institutions and the formulation and implementation of successful public policies. Social democratic governments, supported socio-politically by a broad formal and informal coalition among workers, industrialists and farmers, mediated politically and institutionally by the Swedish Social Democratic Party (SAP), during the period analyzed, carried out an innovative route of planned action, which remodeled the relations of production and distribution, feeding back the economic and social dimensions of development. Productive development, led by industry, was the main lever of the welfare state, providing full employment, an increase in the wage bill, national control of technological advances and, consequently, an increase in the collection base for the implementation of social policies. At the same time, the welfare state has contributed to training the workforce and ensuring its longevity and productivity, accelerating its geographical and sectoral mobility and adapting it both to the growing technical imperatives and to the objective of increasing internal and external demand, important fora demographically limited country. As a result, Sweden has reached a material level of development that today still places it internationally as a benchmark for economic development and social equality. Swedish state must be considered as a specific case of developmental state, since it combined, in a democratic regime, industrialization and equity.

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