The Swedish model of fascism no longer has a 'human face'

by Tore Fredin, Stockholm

The "Swedish model" became internationally known during the 1950s and '60s as a symbol for industrial growth, peaceful labor relations, increasing real wages and living standards, and better health care and insurance, both when one became unemployed or sick, as well as for pensioners. Today, the Swedish model represents just the opposite: a zero-growth, "post-industrial" society with endless austerity and cuts in welfare, decreased unemployment benefits and health insurance from 90% to 75% of the wage level, and reduced benefits for children and retirees.

Why did this happen? It was all just to satisfy the so-called market forces and speculators. Sweden has, since the era of Prime Minister Olof Palme starting in the early 1970s, travelled fast, from its no-nuclear policy adopted in the late '70s, through the Thatcherite deregulation policy of the late '80s, into the '90s as a deindustrialized nation run by incompetent monetarists from both left and right.

The continuous deindustrialization by the Social Democrats all through the '80s, with lower real wages and decreasing purchasing power of wage earners, finally caused the crisis to break out into the open during 1991-92. The last straw was the breakup of the European Rate Mechanism (ERM) currency stabilization system in September 1992, after a barrage of speculative attacks by George Soros and others against the British pound, the Italian lira, the Finnish mark, and the Swedish kroner. All of them had to decouple from the ERM.

When that currency crisis hit Sweden, the country was going through the worst banking crisis in its history, which threatened to pull down entire the financial structure. The state had already had to move in and make guarantees for most major banks. Then the acute currency crises forced the central bank, the Riksbank, to push the discount rate up to the astronomical level of 500% for a few days, in order to cool things down. The price Sweden has paid for these two interrelated crises is between 150 and 200 billion kroner ($23 to 27 billion). By comparison, Sweden has paid as much as France to keep the insolvent banking and finance structure intact. The only difference is that the Swedish population is one-fifth the size of that of France.

Ironically, it was the liberal-conservative coalition government of former Prime Minister Carl Bildt (nowadays the European Union's Balkans mediator), who had to use the state to intervene to save the "free-market system" and prevent the nation's credit structure from being wiped out. Bildt had been elected in 1991 on a policy of non-interference by the state, and had criticized the Social Democrats for not pursuing the deregulation policy vigorously enough.

The Social Democrats had, despite their own rhetoric against free-market monetarism, implemented a Thatcherite policy during the 1980s, with their decison to deregulate the banking and credit sector in 1985. And in 1989, they removed currency controls. This policy gave us the roaring late-1980s' speculative bonanza, with its highly destructive effects upon industry.

Lawfully, this meant that the worst economic depression since the 1930s set in by the early '90s, on top of the financial crises already mentioned, causing an explosive increase in official unemployment, from a previous low level of 2-3% to verging on an unheard-of 13%. Total unemployment increased from 5-6% to almost 20% at its peak in fall 1994. Today's total unemployment, including "hidden" unemployment, is still just about 15%.

Slashing the 'welfare state'

It was during the liberal-conservative coalition government of 1991-94 that the most brutal slashing of the welfare system began. In the name of saving the economy, the reduction of the budget deficit and the state debt was sped up. The state debt had reached Belgian and Italian levels of over 100% of Gross National Product. Now everybody had to pay, because we had all been living beyond our means, the government declared. Now was the time for sackcloth and ashes, and everyone was supposed to "throw his stone onto the pile."

Therefore, it was only fair that pensions, health insurance, and unemployment benefits should be reduced. The argument for the austerity measures was that they were necessary to get the budget balanced, because otherwise the economy would not recover. That was how it sounded five years ago during the liberal-conservative Bildt government, and it still sounds the same today from the Social Democratic government of Prime Minister Göran Persson.

A charade has gone on in the parliament (Riksdag) over the years, creating widespread disgust for the politicians who, on the one hand, could seriously debate the need to cut 500 million kroner in allowances to the handicapped, while voting without hesitation to bail out the insolvent state-owned Nordbanken with 50 billion kroner—that is, 100 times more—for its fraudulent real estate speculation.

The Social Democrats won the election in September 1994, when unemployment was at its height. They had pulled out all the usual demagogic and populist arguments; they had mobilized the unions in big demonstrations outside the parliament, demanding the restoration of unemployment benefits and health insurance to the original level of 90% of wages.

The Social Democrats did not get their own majority in parliament, however; they had to govern with support from one of the anti-nuclear parties in the parliament, the Left Party (Vnsterpartiet), formerly the Communist Party. After the election, they carried out some cosmetic restoration of unemployment benefits. But what they also decided was to cut and postpone badly needed state-financed investment for infrastructure expansion, citing the exigencies of the budget crisis. Six months later, the Social Democrats dumped the Left Party and turned to another anti-nuclear party, the Center Party.

With the vote of the Center Party secured in parliament, the present prime minister, Göran Persson, in spring 1995, when he was finance minister, started a new round of austerity measures, and threw away all his party's election promises. He initiated increases in the cost of medicine, raised doctors' fees, eliminated public subsidies for dental surgery, and reduced allowances for families with several children. Nothing was safe any more: He even reduced sacred unemployment benefits below 80%, which upset the unions. But this time, there were no mass demonstrations. As Social Democrats, the national leadership of the trade unions showed where their true loyalties are: that they are first and foremost Social Democrats, and, after all, it is a social democratic government.

The next phase: abolish union rights

A new phase is now being prepared for the coming fall. Since the beginning of June, a heated debate has been raging over a proposal to install an emergency labor rights law, concerning the right to strike and employment conditions, which is supposed to be in place for two years. The proposal was put forward by the former chairman of a government-appointed Commission on Labor Rights, Tony Hagström.

When the unions started to scream, the government backed down; but now, it has been leaked from the Finance Ministry that the government has advanced plans to eliminate the unions' right to strike, by installing a state-appointed mediator (*riksmedlare*). The mediator will decide which wage increases should be accepted. In a conflict between the unions and the employers, if the mediator's ruling is not accepted, the paraliament will just make his ruling into law. All this has the announced aim of ensuring low wage increases. The government will also appoint a commission which will decide which strikes are a danger to society, and which are not.

This is not official policy yet; but the mere thought that the state will decide wage policy and take away the right to strike, shows how serious the Social Democratic government considers the economic crisis to be. They will throw away the foundation of the "Swedish model," i.e., that independent organizations on the labor market should themselves take responsibility for labor rights and wages.

Furthermore, the government has officially abandoned one other cornerstone of the Swedish model: the policy of full employment, a sacred cow for all Social Democrats since the 1950s. They announced that decision on July 12, when the parliament met in a special session just to debate the unemployment question. In the bill under debate, it is stated that it is no longer possible to have full employment. The aim is now to reduce official unemployment by half before year 2000, from 10% to 5% of the labor force. Sweden has, by that admission, joined the ranks of the rest of the European Union, with its high unemployment a fact of life in a depression.

Fascism with a Swedish face

The actual historical definition of fascism, is the preservation of financial titles in an economic crisis, by looting the living standards of the population. By this measure, Sweden's Social Democrats today, under Prime Minister Persson, are rigorously pursuing a fascist economic policy every bit as much as Mussolini did in Italy in the 1920s, to please the international bankers.

With this new labor bill coming into effect, it will be much more onerous to be unemployed in Sweden. One new restriction is that an unemployed person can receive unemployment benefits for a maximum of three years, and after that he or she has to be on welfare. That measure has been appropriately baptized as "the block." Today, over 200,000 Swedes have been unemployed for two years or longer, which corresponds to 5% of the labor force.

The most frightening aspect of this new proposal, is the stated aim of putting the ideas of "recycling" the labor force into law. Recycling of the labor force—driving workers into jobs with lower and lower skill levels, at lower and lower wages—has been implemented before, but on a voluntary basis. Now, they will by law force an unemployed person to accept what is called an "individual action plan," which puts additional pressure on the unemployed, and that pressure is formalized by a legal contract between the labor exchange official and the unemployed person. In order to get benefits during the three-year period, the unemployed person has to sign a contract, which also states that the person accepts the fact that he or she will lose the benefits after three years.

People who are older than 55 years and have been unemployed for two years, can now be ordered to work for the municipal authorities, regardless of whether they are paid by unemployment benefits or live on welfare. If the person does not accept the job that is offered, no welfare check or unemployment benefits. This policy was put into practice during the 1920s, and was used to drive down wages by replacing employed people with unemployed.

This will be the effect, even if that, of course, is not publicly admitted; but labor research on similar programs already implemented on a voluntary basis, shows that 50% of ordinary jobs are replaced by lower-paid so-called labor-training jobs. The idea is just to continue with austerity and recycle employed people with the unemployed at cheaper costs, and use the vast pool of unemployed and people living on welfare created by the depression. The estimate is that today, one-fourth of the labor force is outside what is considered the normal labor market.

Sweden is now—as a result of its policy of deindustrialization over the last two decades, with industrial investments today barely above the low level of 1974—approaching the phase where the Information Age or "post-industrial" society, with its own logic, demands a semi-fascist regimentation of the labor force. The next step is probably labor camps, the Social Democrats being loyal "bankers' boys," serving the addiction of the financial oligarchy for ever more austerity to prop up their financial assets.

The art of 'boiling a frog'

During the two last decades of zero-growth economic policy, the average Swedish wage-earner has lost almost two months of purchasing power. The last 20 years of ratcheting reduction in the living standard have made the Swedish population in general, and the labor force in particular, accept the breakdown as something normal and unavoidable. It may, in many cases, have been accepted grudgingly, with a clenched fist deep in the pocket, but one rarely sees Swedes take to the streets to show their anger these days.

This tells us that social democratic control of the population still functions, even if the façade has some scratches. It also tells us that the Social Democrats know the art of "boiling a frog," as the Chinese proverb says. In order to boil a frog, one cannot first boil the water and then put the frog into the hot water, because it will immediately jump out. Instead, one must take the frog, put it into cold water, and then slowly heat up the water; the frog will adjust to the gradual warming, and get cooked.

The Swedish labor force is about to get cooked.

By contrast, labor in Germany and France for the past year has only begun to get the kind of treatment that the Swedes and Finns have been getting for the last four to five years.

The international aspect

Here we see the new and real meaning of the Swedish model. It is no wonder that this new tough leader for the Social Democrats, Göran Persson, is being glorified among monetarists in Sweden, by the Kohl government in Germany, and elsewhere in Europe. This once again tells us how little difference there is in content between left and right these days, when it comes to an economic policy of endless austerity in order to please the international financial interests. We can see that clearly if we compare the policy of Persson and his Finnish colleague, social democratic Prime Minister Lipponen, with the policies of liberal-conservatives such as Belgian Prime Minister Jean-Luc Dehaene, French Prime Minister Alain Juppé, and German Finance Minister Theo Waigel: They are all pretty much the same. This also explains why the new British Labour Party leader Anthony Blair is so popular among the financiers of the City of London.

Internationally, the Swedish and Finnish Social Democrats have qualified the Socialist International, in the eyes of European oligarchical finance circles, as the operational alternative to implement further austerity, and to phase out European industry. At the same time, these social democratic parties can use the unions to keep labor unrest under control. This strategy is in the works for Great Britain, where the Conservatives of John Major are universally hated.

How long will it take before the French and German governments fall? Six to twelve months might be enough, if those governments maintain their present economic policies.

The irony of politicians who praise the Swedish model, such as Chancellor Kohl's Minister of Special Assignments Friedrich Bohl (Christian Democratic Union), is that they are pushing the Socialist International alternative, and thereby helping to dig the grave of their own party. Bohl should know, if anyone does, that the reason the Swedish economy has not completely broken down, is because of the devaluation of the Swedish currency against the German mark since 1992, which has allowed the Swedish export industry to out-price German industry.

Swedish export industry is the only sector which has grown since 1992. That has resulted in a small increase in employment, as well a slight real wage increase of 2% in 1995 for industrial workers. This, together with a decrease of the budget deficit and low inflation rate, is presented in official GNP "glitter figures" as a real turn of the economy, when it at best might mean a temporary break in the economy's downward slide. Recently published figures that show unemployment rising again, tell us just that.