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Progressive critics of a universal basic income argue that most nations face a budgetary choice between a full basic income and investment in public goods, including universal health care, free and well-funded education, and universal pensions, and have prioritized a robust welfare state, or the "Swedish Model," over basic income. But examination of Swedish economic policy reveals that the welfare state is only one of the ingredients of the Swedish Model, and that another is an interventionist labor market policy unlikely to be expandable to larger states without Sweden's cultural and demographic characteristics. Indeed, evidence suggests that Sweden's own recent diversification—not only of race and ethnicity but of occupational strata—will make the Swedish Model less stable in its own home. What lessons can be applied to the case for a basic income in the U.S. and other large and diverse nations or regions?

Key words: *Sweden, basic income, welfare state, Swedish Model*

Progressive critics of a basic income argue that governments should prioritize the public provision of goods and services over a basic income, pointing to the Swedish welfare state in particular as a model for the U.S. to emulate. Late economist Barbara Bergmann (2002, 2006, 2008, 2014) was a prominent champion of the Swedish-style welfare state as an alternative to basic income. Sociologist Lane Kenworthy (2014) makes a similar argument in a book promoting the broader version of the Swedish Model that includes some of its labor market policies, in addition to extensive public provision of goods and services. Nicolas Colin and Bruno Palier (2015) argue in favor of a variant of the Swedish Model—Danish "flexicurity"—over basic income and guaranteed jobs in the face of a future of "lousy" jobs.

Bergmann, in particular, advocated a Swedish-style welfare state, with publicly provided universal health care and childcare; high-quality, subsidized housing and college; and high spending on public transportation and schooling. Bergmann prioritized public provision over a generous basic income for three interrelated reasons, which can be characterized as budgetary, paternalistic, and feminist objections to a basic income. Bergmann argued that it would be impossible, or at the least, highly unlikely, for the U.S. to finance a basic income that would allow all to afford these goods on their own, regardless of how many children or special medical needs they had, and whether they were single parents or not (the budgetary objection). Even if the basic income were high enough, she argued, some recipients would spend their money on other things and not on what they ought to spend it on (the paternalistic objection). And if a basic income were high enough to allow parents to support all their children, she feared that it would encourage women to withdraw from the labor force, and that would have negative effects for gender equality (the feminist objection).

Kenworthy, while conceding that the idea of basic income has some merit, argues that a generous basic income would reduce employment and the tax base necessary to finance government functions, including those public goods that only government can provide—infrastructure, public safety, education, and a strong safety net—and which should take precedence over the freedom-maximizing potential of a basic income. Colin and Palier argue that basic income seeks to replace the entrepreneurial, wage-based economy, while a generous in-kind welfare state complements it, by providing the cushion that makes the inevitable intermittent unemployment of a dynamic, innovating economy tolerable to workers.

These authors and many others point to the likely substantial cost of a basic income and the significant political and economic difficulties involved in moving a large, liberal market economy like the U.S.'s in the direction of a universal basic income, but they underestimate the difficulties of moving the U.S. in the direction of a Scandinavian welfare state. I have addressed several of these objections to a basic income elsewhere (Zelleke, 2005, 2007, 2008, 2011, 2015) and will not repeat those arguments. My aim in this essay is to examine the details of the Swedish Model beyond the usual shorthand of generous public sector benefits and high taxes, to uncover other aspects of the model that might suggest whether and how it could be applied to larger and more diverse entities like the U.S. and the European Union. In fact, the Swedish Model has not expanded beyond its Nordic neighbors (with the possible exception of the Netherlands) and has been in retreat in Sweden itself since the 1980s. But the story of its development is a fascinating one, and suggests why the more explicit redistributionism of a basic income—exactly the thing that leads many skeptics to believe it couldn't possibly succeed in the U.S.—might in fact be the key that leads to a more durable and sustainable foundation for egalitarian welfare states than the Swedish Model.

The Nordic Context

While I focus in this article on Sweden, the paradigmatic example of a comprehensive welfare state, Sweden shares many characteristics with the other Scandinavian, or Nordic states: Denmark, Finland, Norway, and Iceland. The Nordic nations are consensual democracies, in which political activity aims to defuse conflict and achieve consensus (Hilson, 2008). The goals of consensus and compromise are facilitated by historical, cultural, and socio-economic features of the Nordic region, including their histories of constitutional monarchy and parliamentary democracy (except for Finland), their lack of serfdom, their late but swift industrialization, their small size[1], and their overwhelming religious homogeneity[2]. Their geographic location between continental Europe and the former Soviet Union (excluding Iceland) embodies their search for a "third way" between capitalism and communism, and the confluence of interests between workers and small farmers facilitated the political compromises between these groups and capitalists in the formation of their political economies in the first half of the 20th century (Hilson, 2008). Thus, while the Nordic states are now hailed as among the most egalitarian in the world, and credit for this fact is implicitly ascribed to their welfare state institutions and policies, their histories and culture reveal that their welfare states evolved from more egalitarian, less socially fragmented starting points at the beginning of the 20th century than either their continental neighbors to the south, including Germany and France, or the U.K. and U.S. further away.

The Swedish Model

The Swedish Model is often characterized as a comprehensive welfare state with a strong commitment to full employment for all its members. While this is accurate, a closer examination demonstrates that the Swedish Model involves more than that, including political and economic policies that are usually overlooked. There are four crucial elements to the Swedish Model, but references to the Swedish Model tend to emphasize only two of them: benefit programs, including public provision of goods and services and cash benefits; and the tax regime necessary to finance them. Equally important not only to the success but to the very existence of the Swedish Model are its system of market regulation, and the cultural and demographic factors that provide the foundational material of its political and economic institutions and delimit the policy options available to politicians and voters. A closer look at all these factors suggests that if the Swedish welfare state is the goal, a basic income may not only not be an obstacle, but a necessary step to its achievement.

Cultural, Historical, and Demographic Factors

The cultural and religious homogeneity of Sweden during the development if its welfare state, along with its small population, are well known, but it is instructive to explore these demographic markers in detail. Sweden has fewer than 10 million people; in comparison, the U.S. has over 300 million people, the U.K., France, Germany, Italy and Spain have between 40 and 90 million, and the European Union as a whole has 500 million. Religious affiliation rates are declining everywhere, but the Lutheran Church of Sweden—until 2000 the state church—claims 70% of the population as members. In contrast, Protestants of all denominations make up only 50% of the U.S. population; Germany has roughly the same numbers of Catholics and Protestants, with each making up about 30% of the population; and French Christians, the majority of whom are Catholic, make up only about half of the population. More importantly, at the turn of the 20th century when the foundations of the contemporary Swedish welfare state were laid, Lutheran affiliation in Sweden would have been almost universal.

The Church of Sweden was founded in the 16th century, and the lack of competing denominations during the development of Swedish democracy had significant political and social implications. The unchallenged supremacy of the Lutheran church obviated the need for religiously-aligned political parties, leading to a secularism in its political culture that distinguishes it from some of its larger European neighbors to the south. It also led to a fusion of church and state priorities in line with Lutheran egalitarianism, which is based on the idea of "a priesthood of all believers," as opposed to a clerical hierarchy, and which could not coexist with large and visible inequalities of wealth and power (Thorkildsen, 1997). In the context of Lutheranism's emphasis on daily work and the maintenance of order, unemployment is not only a social or economic problem but, in the words of historians Øystein Sørensen and Bo Stråth, "almost a sin" (Sørensen & Stråth, 1997, p. 13). In other words, it is not only Sweden's homogeneity, but its particularly Lutheran homogeneity, that formed the background to the development of its solidaristic and egalitarian welfare state, leading some analysts of Nordic social democracy to go so far as to characterize it as "secularized Lutheranism" (Østergård 1997, p. 69; see also Sørensen & Stråth, 1997).

On the political front, Sweden enjoyed a relatively peaceful transition from absolute monarchy to democracy, in contrast to France, Germany, the U.K., and the U.S. Aristocratic privileges in 19th century Sweden were focused on access to civil service positions—positions in service to the nation—rather than on large landholdings (Tsarouhas, 2008). Sweden's agricultural sector was made up of a mix of large and small farmers, rather than serfs and lords, and its freeholding peasants form the core of the mythical Swedish folk—the idealization of the common man in Swedish society that played a large part in the development of Swedish social democracy (Berman 2006; Sørensen & Stråth, 1997; Tsarouhas, 2008). Peasants enjoyed representation in the Diet from the 15th century until estate-based representation was replaced in the 19th century by electoral representation (Sørensen & Stråth, 1997; Kaufmann, 2013).

This history has two important legacies. First, the existence of a large and politically recognized agricultural sector balanced the voice of labor in the industrial sector that developed in the late 19th and early 20th centuries, causing the government to develop benefit programs in a universal, rather than strictly laborist fashion (Gustafsson, 2008). For example, as pensions for the elderly were debated in the first decades of the 20th century, the coalition between agrarian and proletariat parties led to the rejection of the Bismarckian worker-centric pension model in favor of one that covered the entire population (Kaufmann, 2013)[3]. Second, the state's own reformist tendencies obviated the need for revolutionary struggle against the state, fostering the country's consensualist political tradition (Trägård, 1997).

Political scientist Lars Trägård calls Sweden an "associative democracy" because of its tradition of using local parish councils and stakeholder input to study and come to consensus on social and economic matters (Trägård, 2007). For example, from the late 19th century on, local labor exchanges were run jointly by unions, employers, and local officials, and government commissions made up of different stakeholders continue to play a large role in Swedish policy making (Rothstein & Trägård, 2007; Trägård, 2007). This characterization should not obscure the political and economic unrest faced by Sweden in the late 19th and early 20th centuries. Despite (or because of) a strong union movement linked with the birth of the Social Democratic Party (the Sveriges Arbetarparti, or SAP) in 1889, Sweden suffered from significant labor unrest and became known as the "strike capital" of the Western world (Berman, 1998, p. 43; Micheletti, 1995, pp. 46-49). Nevertheless, its Lutheran orientation toward work, its generally benign state apparatus, and its small scale—which facilitated the development in 1898 of the federation of unions called the Landsorganisationen (LO), followed four years later by the federation of employers, the Svenska Arbetsgivareföreningen (SAF)—set Sweden on a particular path of compromise, moderation, and consensus that dominated Swedish politics for three quarters of a century. In Rothstein and Trägård's (2007) words,

> To speak in the language of contemporary historical institutionalism, a series of relatively small and contingent events, occurring at a very early point in the process of modernization and democratization, produced large consequences. The success of early democratic neocorporatism set Sweden on a particular path of institution making when it came to state-civil society relations. Subsequent successes produced, in Paul Pierson's language, "increasing returns," further strengthening these institutional arrangements. (p. 249)

Market Regulation

The story of Sweden's high levels of unionization and the political dominance of SAP are often told, suggesting that a strong labor movement and a successful and sympathetic political party are the keys to the Swedish Model, but this narrative omits the critical part played by Sweden's distinctive system of market regulation in the development of the Swedish model. Several milestones in the development of the Swedish system of market regulation are worth recounting.

The existence of the labor and employers' federations, along with a pragmatic, rather than ideologically rigid workers' party in SAP—which would begin an unparalleled 40-year period in government in the 1930s—set the stage for the broad-based coordination of economic policy that became the defining feature of the Swedish Model in the first half of the 20th century. LO's close relationship with SAP, along with SAP's strategic decision to broaden its identity from a workers' party to a people's party, strengthened the hand of the labor movement in its negotiations with employers—to a point. Nevertheless, the early years of the 20th century saw a high level of labor strife. In the 1906 "December Compromise," LO and SAF came to the first of a series of landmark agreements, with LO recognizing employers' rights to run their companies in exchange for the unions' rights to organize and bargain collectively (Tsarouhas, 2008, p. 43). This negotiation signaled a disagreement between LO and SAF—over labor's part in the management of firms—that was to re-emerge more than once in the following decades.

Nineteen-thirties Sweden saw the highest level of labor unrest of any nation (Standing, 1988) and attempts by the government to intervene. Instead, LO and SAF agreed to negotiate wages and work conditions independently of the government. Named for the town in which it was negotiated, the Saltsjöbaden Agreement of 1938 began a period of bilateral negotiation between labor and capital that was to last until the 1970s. The agreement contained the seeds of the centralized bargaining between unions and employers that was to come in the 1950s (Högfeldt, 2005), but it also represented the failure of LO's efforts, for a second time, to win German-style labor representation in firm management (Tsarouhas, 2008). Political scientist Michele Micheletti (1995, p. 63) calls it the beginning of the "labor market cold war" that lasted until détente collapsed in the 1970s.

The Saltsjöbaden Agreement was followed in 1944 by the SAP-led government's expressed commitment to promoting full employment, defined as frictional unemployment of only 2%. This was to be achieved by stimulating private investment, socializing consumption, and an active labor market policy—helping workers to transition from failing to rising industries and firms (Standing, 1988). Then, in 1951, two LO economists developed what came to be known as the Rehn-Meidner model. The Rehn-Meidner model addressed the dilemma of how to achieve full employment without creating unmanageable inflation, which neither labor nor capital wanted. The solution to this dilemma was a negotiated compression of the wage scale, with equal pay for equal work set at a high level, regardless of the profitability of the individual firm. This solidaristic wage policy moderated wage differentials and wage increases, reducing financial incentives for workers to jump from firm to firm in search of higher wages. Wage compression hastened structural adjustment by forcing unproductive firms that could not afford the effective minimum wage out of business. The model also endorsed the government's adoption of an active labor market policy to retrain and redeploy workers from failing firms, and from regions with few jobs to the cities where jobs were available.[4] The Rehn-Meidner model set the stage for the SAF's invitation to LO to begin centralized labor negotiations at the industry, rather than firm level, in 1952.

The Rehn-Meidner model sought to manage the labor market in favor of high, stable wages for its members, while sacrificing potentially larger gains for some workers in the interests of the stability of the entire system. Is such a strategy the cause or the effect of social solidarity? It is likely to have been both—possible because of the shared interests of mostly male industrial workers in the "Golden Age" of strong, postwar growth, and reinforcing of their solidarity as long as it was seen as contributing to continued growth. It is important to note as well, however, that the Rehn-Meidner model once again signaled labor's acquiescence, at least for the time being, in a capitalist economy with a high concentration of private ownership and management of capital (Tsarouhas, 2008).[5]

As will be discussed below, the unresolved tension underlying these agreements remained submerged only until the 1970s, when cultural, demographic, and economic changes undermined the conditions that made them possible. But first, it is instructive to compare the timeline of the development of the benefit programs we think of as central to the Swedish Model to that of the system of labor market regulation that is sometimes left out of references to the model.

Development of the Swedish Welfare State

This remarkable set of agreements on labor market regulation between employers, labor, and the government coincided with the development of the welfare state programs characteristic of the Swedish Model. In 1913, Sweden established the first universal pension, comprised by a social insurance system of pension benefits financed by contributions, to be phased-in for current workers, and a system of need-based, means-tested pensions, which immediately covered all elderly poor, regardless of whether their employment was in the agricultural or industrial sector (Hagen, 2013). This dual system evolved into a universal, flat "people's pension" after WWII, in 1946, with benefits no longer means-tested or linked to contribution levels (Hagen, 2013, pp. 31-33; see also Kaufmann, 2013, pp. 128-129; and Tsarouhas, 2008, pp. 51-52).

The next phase of development was in the period around WWII, and centered on policies to raise the birth rate, including marriage loans and maternity relief to help the poor finance family life, introduced in 1937 (Trägård, 1997), followed by universal child benefits in 1948. Universal health insurance was introduced in 1955, providing access to private health care providers for all Swedes; in 1968, the medical system was largely socialized, with health care providers becoming state employees.

At the height of the Golden Age, with rising post-war wages leading to concerns about the adequacy of the flat "people's pension," a supplementary system of contributory pensions was restored, securing a pension of 60% of average income during the 15 highest earning years for those who had worked for at least 30 years (Hagen, 2013, pp. 38-43). In 1965, the "million homes" affordable housing program was established to address the shortage of decent housing in Swedish cities and to reduce the costs of labor mobility. Maternity benefits were introduced in 1962, were later extended to fathers as well, and were increased again in the 1970s, and state-subsidized child-care, first established in the 1960s, was greatly expanded in the early 1970s. Together with the switch from joint to individual taxation of couples in 1971, Sweden's generous parental benefits—available only to those who are employed—has given it one of the highest female labor participation rates in the world, with an employment rate for working-age women of 74% in 2015. (Only Iceland's and Switzerland's rates—82% and 76% in 2015, respectively—are consistently higher than Sweden's. In comparison, the 2015 rate for U.S. women was 63% [OECD, 2016a].)

Prior to WWII, unemployment benefits were financed and administered by the unions, but state subsidies to the plans began in the 1930s and grew rapidly after the war. In 1974, employers were required to contribute, and in 1979 the system was extended to all workers, financed by payroll taxes and administered by the unions. The 1970s also saw the expansion of public sector employment in Sweden, which coincided with the entry of women into the employment sector in large numbers; public sector employment accounted for almost 40% of Swedish women's labor participation in 1970 (Flanagan,1987, p. 128), reached a high of about 60%, and now, after a period of budget cuts, accounts for roughly 50%, compared to 20% for men (Statistics Sweden, 2012, p. 59). As a result of its active labor market policies and large public sector, Sweden has among the highest employment rates in the developed world, at 75% in 2015, compared to 69% in the U.S. (OECD, 2016a).

To summarize, prior to WWII, the Swedish welfare state included only need-based pensions and the beginnings of contributory pensions, and union-run unemployment insurance. At that time, it was closer to a social insurance and residualist social assistance model than to the more universalistic model it developed into in the prosperous post-war period (Hilson, 2008). After the war, universal health care, pensions, and children's allowances were implemented, followed by active labor market policies in the 1950s and 1960s to support the three-way consensus by labor, capital, and the government to pursue full (male) employment while moderating inflationary pressures through a solidaristic wage policy. Public day care and parental leave policies, first implemented in the 1960s, expanded in the early 1970s and, together with the shift in tax policy, encouraged women to enter the work force in large numbers, leading to Sweden's reputation as a highly gender-egalitarian universalist welfare state.[6] However, it was when the Swedish welfare state shifted from a social insurance model based on a male-breadwinner to a universalist model with a goal of male and female full employment that the Swedish Model began its decline.

Challenges to the Swedish Model

The 1970s brought a number of challenges to the Swedish political economy. Some disruptions were felt by other advanced economies, including the oil shocks, women's increasing demands for equality and economic opportunity, and the transition to a post-industrial economy. Some of the most important challenges to the Swedish model were internal, however. LO—a male-dominated, blue-collar union federation—reacted to the economic disruptions by shifting from a strategy of labor market security, in which employment, but not particular jobs, is protected, to one of employment security, in which employees were protected from losing the jobs they held. In the face of the decreasing importance of manufacturing to the economy, LO abandoned its former commitment to equal pay for equal work in favor of a more general commitment to equality of wages, a less tenable goal in a post-industrial economy characterized by increasing automation, a growing public sector, and the rise of the knowledge worker. In addition, the government retreated from its post-war policy of allowing structural adjustment to occur on its own and adopted a more interventionist economic policy, subsidizing failing firms in the hopes of having them emerge from what were viewed as cyclical downturns (Hilson, 2008; Standing, 1988).

Finally, both LO and their SAP allies abandoned their agreement with employers to leave labor market regulation to negotiations between unions and employers, legislating regulations to make employment more secure. Legislation enacted in the 1970s created seniority protections and made it much harder to dismiss employees, and mandated the board representation and input into work rules LO had long sought for the unions, though management remained in control of firm decisions (Högfeldt, 2005, pp. 545, 552). In 1976, LO sought legislation to create "Wage Earner Funds" designed to capture some of the profits earned by the most profitable firms, which benefited from LO's imposition of wage restraint on their workers. The plan was to transfer a portion of firm profits to the collective ownership of firm employees up to a small majority—52%—of shares over time. The attempted legislation of Wage Earner Funds was seen by SAF as a violation of the agreement to negotiate independently of government, not to mention of the underlying bargain around a form of regulated capitalism, rather than socialism (Meidner, 1993; Standing, 1988, pp. 139-144). Furthermore, the plan failed to generate widespread popular support since it was limited to industrial workers in the most competitive firms (Tsarouhas, 2008).[7] SAF withdrew from centralized bargaining in 1983.

This breakdown in the system of labor market regulation can be attributed to strategic missteps by LO and SAP, or to secular changes in global economic conditions over which the Swedes had little control, but they expose the underlying instability of the bargain made between labor, capital, and government in the earlier decades of the 20th century. As LO Economist Rufolf Meidner, one of the architects of the

Rehn-Meidner model, notes, the solidaristic wage policy was unable to meet the challenges of the post-industrial economy, as LO failed to maintain consensus around wage differentials for different kinds of work (Meidner, 1993).[8] More importantly, the halo around the Swedish model obscures the opposition of employers during its development. Throughout the 20th century, Swedish employers resisted many of the moves to make the welfare state universalistic, rather than status-specific. While employers were defeated in the post-war Golden Age, when Sweden and the rest of Europe reaped the benefits of peace and reconstruction in the form of robust economies, LO and the SAP leadership of the 1970s (when Olof Palme was prime minister) seem to have underestimated the opposition by owners of capital to their ultimate goal of not only political and social democracy, but economic democracy as well (Högfeldt, 2005).

According to economist Peter Högfeldt, SAP's longstanding bargain with Sweden's capitalists was predicated not only on maintaining capitalist control of Swedish industry, but on maintaining a particularly concentrated form of ownership that brought stability and predictability to the Swedish economy. Throughout the 20th century, SAP policies in banking and taxation reinforced capital concentration among a small group of owners and a stable group of large, export-oriented "national champions," as opposed to encouraging broad distribution of capital and disruptive entrepreneurship (Högfeldt, 2005, p. 542). According to political scientist Michele Micheletti, the period of cooperation between LO and SAF rested on their agreement on shared means of full employment, low inflation, and economic restructuring in support of divergent goals—of promoting high standards of living for workers, in LO's case, and of promoting international competitiveness, for SAF. When changing economic circumstances called for different means, their underlying differences came to the fore (Micheletti, 1995).

Full employment remains a goal of Swedish economic policy, and work incentives remain strong given the high tax rates that reduce take-home pay, but protective employment regulations make shirking and absenteeism a problem for employers. Full employment has proved elusive since the 1970s, and has given way to increasing labor market segmentation between those with full-time work and part-time workers who want more hours, and between those in protected jobs and those in active labor market programs (Gustafsson, 2008). Young adults, immigrants, and older workers are increasingly relegated to training programs and involuntary early retirement, artificially lowering the official unemployment rate—currently 8%—according to skeptics (OECD, 2016b). Active labor market programs reflect the continuing commitment of the government and society to the goal of full employment, but they look increasingly like substitutes for jobs, rather than transitions to them.

Full employment is critical to the Swedish Model for two reasons. The high cost of the welfare state requires high taxes to finance it—taxes that come predominantly from income taxes, rather than other sources, like corporate or wealth taxes. This tax structure requires a broad base of workers, particularly with the aging population Sweden shares with its European neighbors. Second, the social solidarity underlying the universalism of the welfare state is inextricable from the full participation of Swedes in making the welfare state possible. A strong norm of reciprocity is the foundation of the model, and it is difficult to see how the universalistic welfare state—already under retrenchment in the face of a less robust economy—survives without it. Sweden's welfare state has in the last 20 years moved in the direction of stricter guidelines for eligibility and lower income replacement rates—away, that is, from the welfare state's "equality of the highest standards," in Esping-Andersen's words (1990, p. 27), and toward more modest benefits and small steps toward privatization in schools, pension funds, and healthcare—including school vouchers and partial privatization of the government pension system, which even Republican President George W. Bush failed to enact in the U.S.

The Swedish Model in its heyday combined the goals of full employment, economic growth, and social and economic equality. The model was supported by cultural and historical factors unique to Sweden and its Nordic neighbors, including their small size, Lutheran homogeneity, and the trajectories of their industrialization processes, but it was achieved through the ability and willingness of its major economic and political groups to compromise and create a consensus for socialization of income and consumption, concentration of private ownership of capital, regulation of markets, stability, and the sublimation of individual economic ambition for the greater good. The Swedish Model has proven adaptable, with elements of the bargain reassessed and revised as economic circumstances warrant. It remains to be seen how much adaptation in the direction of a more liberal welfare regime the Swedish Model can absorb while retaining its universalistic distinction.

Lessons from Sweden

I began this essay by suggesting that the Swedish Model includes more than just generous and universalistic benefit programs and the high taxes that pay for them. As described above, the background conditions of the model that emerged in 20th century Sweden include a small, homogeneously Lutheran population; a largely independent and politically respected agricultural sector; a consensualist political tradition built on a reformist, rather than revolutionary, evolution to democracy; a parliamentary form of government; consensualist and coordinated economic policy; and high levels of unionization. For a political theorist, the emphasis on consensus in the Swedish Model—whether on coordination of the labor market, as Meidner (1993) describes, or on universalism in benefits and labor force participation, as Pontussen (2011) describes—evokes nothing so much as the social contract theory of French philosopher Jean-Jacques Rousseau. As political scientist Lars Trägård notes, Scandinavian political culture is democratic, not liberal—marked by centralized power, uniformity, and an inclusive, participatory democracy through which the "general will" can be uncovered and implemented. The Swedish citizen is, he argues, "perfectly independent of all his fellow citizens and excessively dependent on the republic" (Trägård, 1997, p. 261.) Historian Henrik Stenius characterizes the Nordic form of democracy similarly, not as a balancing of opposing interests, but as a quest to express the true interests of the people, and founded on the belief that "a people is happy when it can pass laws on its own and then make a commitment to obey them" (Stenius, 1997, p. 170).

This Rousseauian characterization of Nordic political culture suggests the limits of its applicability as a model for emulation elsewhere. As Stenius notes,

> In Southern Europe the concept of citizenship meant that each individual had the same relation to the state despite the diversity in their ethnicity and social standing. In the Nordic countries, individuals were citizens because people were similar to each other socially, ethnically, and religiously. (1997, p. 167)

Perhaps, then, it should come as no surprise that the Swedish Model has not been widely emulated in Europe. In fact, since the 1990s, while the country has attempted to maintain the core commitments to full employment, active labor market policies, and universal health care, pensions, and childcare, the Swedish welfare state has moved more in the direction of reducing benefits than Europe has moved toward embracing the Swedish Model (Kaufmann, 2013).

Could the Swedish Model be adapted to a large and diverse liberal state, like the U.S.? In other words, is it possible to transplant some elements of the Swedish Model to a nation with a different cultural and demographic profile? Certainly, other European nations with larger and more diverse populations than the Nordic nations have managed to provide universal healthcare and education, child allowances, and good public infrastructure to their citizens without Sweden's bilateral labor negotiations or solidaristic wage policy, but they have done so in conjunction with other kinds of coordinated labor and economic policy—a very inflexible labor market (in the case of France) or firm-level co-determination (in the case of Germany), for example. Few European nations have universal childcare, though, a crucial factor in Sweden's high female labor force participation rate, both on the supply side (making work possible for mothers) and the demand side (making jobs available for women). In other words, while the level of social provision in Europe may be generally higher than it is in the U.S., the particular mix of benefits, labor policies, and market regulations reflect cultural and national differences in priorities, strategies, and goals, and add up to different packages in each nation. Critical elements of the Swedish Model are not only missing from the U.S. context but incompatible with its liberal market economy and political separation of powers. The U.S. lacks both a strong commitment to full-employment and a consensus in favor of an expensive welfare state, it substitutes the "wage discipline" of unemployment for self-moderation in wage demands by the labor sector, and it lacks (and in some cases legally prohibits) the consensual cooperation of unified labor, capital, and political actors on wages rates and industrial policy.

Since the publication of Thomas Piketty's *Capitalism in the Twenty-First Century* (2014), it is hard to escape the sense that all employment-based welfare states are as exceptional as the Swedish welfare state. As his data suggests, their development coincided with an extraordinary period in economic history during which economic returns from capital were at historic lows and economic returns to employment were at historic highs. While the Swedish welfare state succeeded in socializing employment income through its full employment and solidaristic wage policies and socializing consumption through its provision of public goods, it did little better than other European states at durably socializing capital (Piketty, 2014, pp. 344-347)[9], and indeed seems deliberately to have chosen not to socialize capital, much to the chagrin of the labor movement. If we are now in a period of declining returns to employment and increasing returns to capital, as Piketty suggests, the Swedish Model, however attainable it might or might not be by other nations or regions, may have outlived its usefulness as a model for other nations to emulate.

Lessons for the U.S.

It goes without saying that the adoption of a Swedish-style welfare state would herald a marked improvement in the lives of millions of Americans who live in poverty, who face repeated and extended bouts of unemployment, who remain uninsured despite the passage of "Obamacare," and who struggle to find and afford the childcare that would make holding on to low-wage jobs easier. But given the cultural and demographic foundations of the Swedish Model, is it plausible to expect the adoption of that kind of welfare state in the U.S.? If so, given that we are in the realm of fairly utopian thinking anyway, might we be more ambitious?

To the first question, it is clear that the U.S. has a very different cultural, historical, and political context than Sweden: a population 30 times its size; racial, ethnic, and religious diversity far beyond that in Sweden; a federalist, presidential political structure designed by our founders to foster competition, rather than a centralized, parliamentary government designed to foster compromise; less trust in government and collective action, and more faith in individual initiative and achievement due to our revolutionary history and to waves of immigration of groups persecuted and marginalized by their former governments; and the pernicious legacy of slavery. Slavery's legacy is multifaceted, and has not only marked African-Americans for continuing violence, theft, disenfranchisement, and discrimination, but has contributed to the development of American political and economic institutions in ways that make the expansion of the welfare state much more difficult than in European nations. Not only did the institution of slavery create an early and enduring division between the economies of the northern and southern states, it was only dismantled through a brutal and devastating civil war, the outcome of which, it is fair to say, has not been fully accepted by the losing side. The argument that the kind of reciprocity between labor and capital embodied in the Swedish Model is a strong value in the U.S. can only be made in willful disregard of the continuing economic and political subjugation of African-Americans (not to mention the immigrants from Latin America who are the foundation of our agricultural sector) 150 years after the end of slavery.

Even setting aside the question of race in theory—impossible as it would be in practice—the forms of consensus around economic issues that underlie the Swedish Model are, quite simply, entirely absent in the U.S. Instead of a consensus around egalitarianism and a regulated market, our founding mythology centers on a natural aristocracy of merit, free markets, and negative liberty, rather than a Rousseauian positive liberty. We never had anywhere near the degree of unionization in the U.S. that Sweden enjoys,[10] nor do we have the stable concentration of capital ownership that Sweden has, or the parliamentary political system that would foster the creation and durability of a consensus around these important issues.

When we examine the welfare state the U.S. was able to institutionalize in the 20th century, we can compare the nation's success at providing universalistic benefits through public provision and through cash. The benefits we provide in kind—public primary and secondary schooling, and low-income housing—were deliberately segregated by race at the outset, and remain largely segregated today, despite the outlawing of outright racial segregation, through economic and residential segregation. In addition, the federal government's expansion of Medicaid—federally-funded, but state-implemented health care for low-income Americans—continues to be resisted by 19 states, including most of the states in the old slaveholding south that continue to have large African-American populations. Welfare state institutions in the U.S. that are administered by the states are often administered in discriminatory and unequal ways. Could we expect public provision of child-care to be any different?

If we look at cash benefits, it is true that in the case of Social Security, our federally-implemented contributory old-age pension, African-Americans were excluded from participation through limitations on the employment covered by the Social Security Act of 1935; at the time, African-Americans were disproportionately employed in agriculture and domestic employment, and those two industries were excluded as part of the compromise with southern Senators necessary for the act's passage. By 1954, however, the Act had been amended to include those two industries—partly to expand the base of contributors to pay for the pay-as-you-go benefits—with the result that African-Americans are now included in Social Security on exactly the same terms as white Americans. In the words of political scientist Robert C. Lieberman, it was ironic that "the exclusionary Old-Age Insurance program of 1935 became, by the 1960s, perhaps the closest thing to a race-blind social program the United States has ever known" (Lieberman, 1998, p. 67).[11]

While we lose a sense of solidarity due to our large size, our diverse population, and our federal and presidential political system, the example of Social Security shows that when a universalistic, national cash transfer program is enacted, it can overcome our legacy of racial discrimination to generate an egalitarian program with political durability unmatched, apparently, even by elements of the universalistic Swedish welfare state. In a country with an enduring legacy of state-level racism, federally-administered cash benefits are likely to be distributed in a more egalitarian way than direct public provision, which is always locally implemented. It is more consistent with our liberal, individualistic political culture—and would at the same time be more disruptive to our enduring system of racial and economic segregation—to provide lower income Americans (a disproportionate number of whom are African-Americans and Latinos) with the means to move to schools, cities, and industries through which they can escape the ghettos to which their reliance on public housing and locally-administered benefits confines them.

To move on to the second question, an advantage the U.S. has over Sweden is that, like countries that skipped laying copper phone lines and went straight to cell phones, the U.S. can go straight to the problem of capital concentration without going through the step of setting up a comprehensive employment-based welfare state. Piketty's data on increasing inequality in the U.S. and Europe since the 1970s makes a strong case that economic inequality can only be durably reduced through redistribution of income, wealth, and bequests, and not through full-employment and the socialization of consumption alone (Piketty, 2014). True and enduring economic equality will require the redistribution of capital as well as income and benefits in kind, either through the socialization of capital through public ownership, or through a system of universal dividends. A universal, unconditional, and individual basic income is not the only way to provide citizens with economic security, but in the American context, with our particular social, political, and economic history, it seems likelier than the successful implementation of a comprehensive, solidaristic, and universalistic welfare state like Sweden's.

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Endnotes:

1. None of the Nordic states has a population larger than 10 million.

2. At least two-thirds of the population of each of the Nordic nations is Lutheran, and Lutheranism remains the state church in Denmark, Norway, and Iceland. Lutheranism was Sweden's state religion until 2000. Finland has two state churches, Lutheranism and Finnish Orthodox Christianity, but the latter accounts for only 1% of the population.

3. The pension system was initially designed to be financed by contributions, rather than taxes, but it evolved into a generous tax-financed, universal basic pension with an income-based supplement in the interwar and post-WWII period (Kaufmann, 2013, pp. 129-31).

4. The Labor Market Board, the Arbetsmarknadsstyrelsen, or AMS, was apparently nicknamed Alla Måste Söderut—"everyone must go south"—reflecting its mandate of encouraging labor mobility to achieve full employment (Hilson, 2008, p. 70).

5. The Rehn-Meidner model included stimulation of public savings and direct public investment, along with a liberal trade policy, in addition to the policies noted above (Hilson, 2008, chap. 2).

6. Women dominate (with over 80% of the positions) in the caring professions, schooling, and secretarial work. Sweden's high level of occupational segregation along gender lines suggests a qualification of its reputation as a strongly gender egalitarian nation. See Estévez-Abe (2006) for a discussion of occupational segregation in Scandinavian countries with gender-egalitarian norms and high female labor-force participation rates.

7. According to Standing (1988, pp. 139-44), a broader social dividend was considered and rejected during the period of discussion about Wage Earner Funds, but I have found no other discussion of a possible social dividend, or basic income, in my research.

8. TCO (Tjänstemännens Centralorganisation), the professional employee's union confederation, never participated in centralized bargaining at all, and the expansion of the public sector in the 1970s and 1980s increasingly made government, rather than LO and SAF, the effective wage setter in the labor market as a whole.

9. Sweden, like Britain and France, saw a decline in the rate of inequality of wealth in the 60 years between 1910 and 1970, but it has been rising in Britain and Sweden since the 1980s, and in France since the 1990s.

10. Union membership in the U.S. peaked at 35% of non-agricultural employees in the 1940s, and currently stands at about 11%. (Mayer, 2004). In contrast, Sweden had a level of union membership of almost 50% in 1907, and the rate peaked at over 80% in the 1990s (Tsarouhas, 2008, pp. 40-41; Hilson, 2008, table 5).

11. Social Security is also a progressive program, paying higher benefits to lower income recipients than to higher income recipients, in relation to contributions paid over their work lives.