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Chapter 3.

National interest as a limit to democracy: The rhetoric of Finnish and Swedish employers in the debates on 'enterprise democracy' during the 1960s and 1970s

Ilkka Kärrylä

Introduction

The idea of applying democratic principles and practices to the 'economic' sphere and to working life has been a persistent theme in political thought and discourse, but since the 1980s it has been left rather marginal in most Western countries (Rothstein 2012). In the case of Sweden, this becomes evident, for example, when looking at party programmes and the Royal Library's database of digitised newspapers (Figure 3.1). It seems perplexing that the economic life has fallen out from the potential scope of democracy, even though democracy has been the main principle of legitimising political power since the end of World War II (Müller 2011: 3–5; Dunn 2005: 15).[1] In the economic sphere, democracy does not have the same function. Political entities have power to regulate the economy, but more often the legitimacy of economic power is based on the principle of private ownership, the free market as the most efficient allocator of resources, and apolitical expertise governing the market. Today's mainstream Western conception of society views democracy, at least implicitly, as belonging to the 'political' sphere and is silent about extending it elsewhere. Democracy is primarily a procedural concept denoting institutions such as universal suffrage and parliamentary representation, as well as rights such as freedom of speech, opinion and assembly. This conception could be called 'liberal or 'capitalist' democracy. (Dunn 2005; Dryzek 1996; Teivainen 2002)

The fact that concepts like 'economic democracy' have nearly vanished from the political agenda testifies to the contested nature of democracy and the welfare state. We can see the contingent origins of our current conceptions by looking at a point in history when democracy was a more contested concept. In addition to democratic institutions, it is essential to analyse the language through which democracy has been defined. In this chapter, I examine how labour market organizations struggled over the meaning and value of the concept 'enterprise democracy'[2] in Finland and Sweden in the 1960s and

[1] The prevailing conception of democracy has been questioned, for example, by various autocratic regimes, but very few have discarded the term itself. This is exemplified in the use of notions like 'people's democracy' during the Cold War and 'illiberal democracy' more recently.

[2] I have chosen enterprise democracy as a translation for terms that do not have established equivalents in English. Finnish 'yritysdemokratia' and Swedish 'företagsdemokrati' meant democracy in all companies or corporations and were often distinguished from 'industrial democracy', which was criticized for only implying heavy industry. Enterprise democracy is sometimes used as a translation in literature (e.g. Logue 1991). My aim is to examine what enterprise democracy has meant

1970s – a period of heated debates on extending democracy to new spheres of life like schools, prisons and local communities (Gilcher-Holtey 2018). The objective of democratizing the economy and working life also resurfaced transnationally, for example due to the rise of left-wing radicalism. This shows as a major peak in the use of the term enterprise democracy in Swedish newspapers.

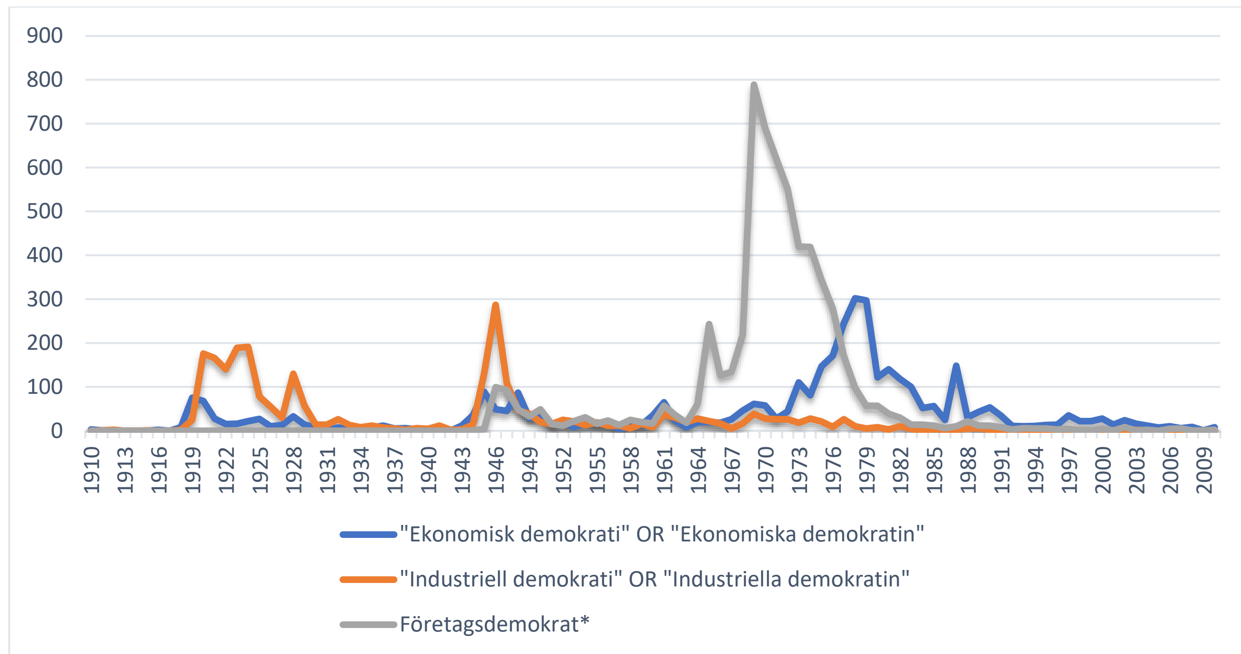

Figure 3.1. Number of articles with the terms 'ekonomisk demokrati', 'industriell demokrati' and 'företagsdemokrati' in the Swedish database of digital newspapers (http://tidningar.kb.se/), 1910–2010.

In the Finnish and Swedish debates on enterprise democracy trade unions, employer organizations and political parties had different objectives and definitions regarding enterprise democracy. Labour market organizations were the most important stakeholders in the issue and took part in shaping the meaning and practices of enterprise democracy. In this chapter, I focus on employer conceptions of the concept, which have strong continuities with today's ideas. My main source material consists of public statements by employer confederations, Finnish STK (Suomen työnantajain keskusliitto) and Swedish SAF (Svenska arbetsgivareförening). In the debate at hand, published sources include more elaborate and explicit argumentation than archival material, as the former seek justification from a broader audience. In public rhetoric, the employers appear quite united internally, even though different branches of business did not make up a monolithic group. However, bringing out detailed contradictions in the employer side is not possible within this study.

To analyse the struggle over enterprise democracy, I utilize a framework based on conceptual history and rhetorical analysis. I treat political concepts as contested and historically contingent. They are used

historically. Therefore, I avoid defining the concept beforehand besides the semantic truism that it means applying some type of democracy within enterprises and workplaces.

as tools in political struggles, which shape their meanings and valuations as well as contribute to constituting reality (Koselleck 2011 [1972]; Skinner 2002: 145–150). I will therefore examine how different agents used and defined enterprise democracy, and how they legitimized their views. Following Quentin Skinner, I look at three aspects of conceptual struggles: criteria of application, range of reference and range of attitudes. (Skinner 2002: 160–172) To better explain the different uses of concepts, their change and disappearance, I sketch out broader webs of beliefs of historical actors (Bevir 1999). These beliefs include, for example, different conceptions of society and working life as well as recurring forms of beliefs that fall into Albert O. Hirschman's (1991) typology of reactionary argumentation. Lastly, I will pay attention to value hierarchies that could legitimize and delegitimize different conceptions of enterprise democracy (Perelman & Olbrechts-Tyteca 1969: 80–83). In this respect, the tension between the concepts of democracy and competitiveness as components of the national interest becomes noteworthy. Swedish historian Jenny Andersson (2006) has claimed that economic growth and competitiveness have been priorities in the Social Democratic ideology. Among Finnish scholars, the interpretation of economic necessities dictating the common interest and the scope of 'politics' is even more common (Alapuro 2010; Kettunen 2008: 88–89; Kosonen 1998: 121; Kyntäjä 1993: 260–265; Pekkarinen & Vartiainen 1993, 51–57).

I begin the chapter by taking a brief look at how enterprise democracy became an important political question in the 1960s. In the following two sections, I will examine the struggle over the concrete meaning and practical applications of enterprise democracy in Finland and Sweden from the employer's viewpoint. The next sections focus on the value hierarchies and background beliefs related to different versions of enterprise democracy, ultimately determining their desirability and viability. Finally, I will analyse the outcome of the conceptual struggle and assess which versions of enterprise democracy gained the upper hand by the end of the 1970s. This also provides insights into the prevalence of current liberal or capitalist conceptions of democracy.

The origins of enterprise democracy

Previous research has pointed out three 'waves' of debate on democratization of the economy and workplaces in Europe. The first of these took place immediately after World War I, and mostly revolved around the concept of 'industrial democracy'. Its contested meanings had roots in socialist and anarchist thought, which sought to democratize workplaces and labour market relations[3] (Lundh 1987: 26; Schiller 1991; Schiller 1988; Lichtenstein & Harris 1993). Employers and right-wing parties had promoted their own ideas of democracy in working life since the 19th century. They were linked to

[3] Industrial democracy was apparently introduced by anarchist Pierre-Joseph Proudhon and used for example by the English Fabians Sidney and Beatrice Webb as well as many American trade unionists in the 19th century.

social liberal and paternalistic ideas of worker welfare. Taking care of employees, for example by pension and healthcare plans, was believed to decrease strikes and increase efficiency. They also provided a counter-strategy against the potentially radical trade union movement. In the United States, some enterprises shared profits with their employees, but these practices were not widely adopted in the Nordic countries (Lundh 1987: 47–54; Schiller 1991; Harris 1993). In Finland, progressive corporate managers introduced terms like 'industrial companionship' and 'industrial constitutionalism', which usually referred to some kind of collective bargaining systems (Turunen 1987).

In Sweden, a Social Democratic government appointed a committee on industrial democracy in 1920, but its proposal for consultative works councils in enterprises was left unrealized (Lundh 1987). For Swedish Social Democrats, extending political democracy and establishing social and economic democracy in order to create a fully democratic society were important objectives throughout the interwar era (Friberg 2012). In Finland, 'economic' and 'industrial' democracy became key political concepts a little later. The political situation and labour market relations differed in many respects: the Finnish Social Democrats were relatively weak after the 1918 Civil War, and a system of collective bargaining was accepted by employers only in 1944. The extension of democracy from 'political' to other spheres did figure in the Finnish labour movement's programmatic rhetoric. There were demands for workers councils, control of production, and institutionalizing labour market relations, but they did not lead to anything concrete during the interwar period (Bruun, Kettunen & Turunen 1990; Kettunen 1986, 272–280).

The second wave of debate throughout Western Europe came after World War II. Swedish Social Democrats demanded employee influence within companies in their 1944 platform and postwar programme, but its content was left quite vague.[4] In 1946, labour market organizations reached an agreement on works councils, which were bodies of cooperative consultation in the fashion proposed by the committee of the 1920s (Simonson 1988: 29–31; Schiller 1974: 65–71). Similar bodies were also established in other European countries, such as Germany and Italy (Streeck 1995, pp. 313–316; Knudsen 1995: 31–50; Schiller 1991: 114–115). The use of the concepts economic and industrial democracy also increased in Finland. There was debate on the planned economy, and works councils or 'production committees' were established in 1946 by legislation. Finnish employers insisted they should remain bodies of cooperative consultation that contributed to increasing the efficiency of industrial production (Bergholm 2005: 77–82; Kettunen 1994: 332–334; Soikkanen 1991: 483–489; Turunen 1990; Mansner 1984). In the 1950s, demands for democratization of workplaces became weaker, and the role of existing works councils diminished in many countries (Streeck 1995, 317–318). In Sweden, the decade was characterized by collaboration between labour and capital, which was facilitated by

[4] Efterkrigsprogrammet, 10.

steady economic growth (Östberg 2002; Sassoon 1996). In Finland, the situation was more conflictual, but demands for democratization were not voiced even during the general strike of 1956.

In the 1960s, ideas of democratizing working life re-emerged around Europe. Worker protests against monotonous industrial work and lack of influence increased. Demands for democratization were strengthened by new transnational movements, such as the New Left, which challenged the old socialist parties. They criticized the bureaucracy and consumerism of Western societies as well as alienating practices of industrial production (Streeck 2014, pp. 12–18; Streeck 1995, pp. 321–322; Boltanski & Chiapello 2005 [1999], pp. 169–172; Eley 2002, pp. 351–353; Östberg 2002; Stråth 1998; Sassoon 1996). In Sweden, the confederation of trade unions (LO) at first retained a moderate stance, as workplace democracy could potentially conflict with collective interest representation and solidaristic wage policy (LO 1961; Stråth 1998, pp. 79–81; Simonson 1988: 34–38). The debate on enterprise democracy, which had now replaced the term industrial democracy, was intensified by centre-right parties and employer organizations. In the mid-1960s, the Confederation of Swedish Employers (SAF) began to promote its own version of enterprise democracy.[5] Employers and centre-right parties advocated enterprise democracy based on their traditional policy of cooperation at workplaces, aiming to increase work satisfaction and the sense of a common interest. This echoed older paternalistic and social liberal principles of management.

In Sweden, some of the new ideas were brought into the renewed agreement on works councils in 1966, which stayed within the traditional bounds of cooperation. LO was still reserved towards democracy at workplaces while calls for more substantial employee influence were increasing. In 1969, a growing number of parliamentary motions on enterprise democracy were given by different parties. LO took a more critical stance towards the works council agreement and began to prepare a report on enterprise democracy. After a major wildcat strike at the state-owned LKAB mine at the turn of 1970, enterprise democracy became a top theme in Swedish public debate. In the following year a state committee on labour law (Arbetsrättskommittéen) was appointed to investigate enterprise democracy and codetermination (Stråth 1998: 81–91, 120–122; Pontusson 1992: 161–167; Simonson 1988; Schiller 1988).

In Finland, there was mild discussion on industrial or enterprise democracy since the early 1960s, but it mostly dealt with extending the mandate of production committees. A more intense debate began in 1966 when the Social Democrats gained a landslide victory in parliamentary elections, after seven years in opposition and severe internal contradictions. Due to the active stance of the Social Democrats, a state committee was appointed, and a legislation process initiated in 1967, four years before Sweden. The committee finished its work in March 1970 without very concrete proposals. Central labour market

[5] SAF 1965; Rhenman 1968 [1964].

organizations had attempted an agreement along consultative lines in 1969, but it was buried due to trade union opposition. Negotiation continued within a second state committee, and finding a satisfactory solution took several years (Bergholm 2018; Kärrylä 2016; Mansner 1990).

The criteria of enterprise democracy: The power of employees or cooperative consultation?

In the Finnish and Swedish debates on enterprise democracy, there was a wide agreement over a fundamental criterion of democracy and enterprise democracy, namely the possibility of citizens to influence decisions concerning their own life. This principle was a key slogan of aspirations to democratize different walks of life, which was discussed in Western countries in the 1960s especially by the New Left. Belief in the growing demands of citizens and employees was central for social scientists, who were developing ways of reforming working life. Worker protests in the 1960s were explained for example by the 'hierarchy of needs' introduced by sociologist Abraham Maslow: when basic material needs have been fulfilled, mental or spiritual needs become the most important. These include self-fulfillment and influence over one's own life. One potential solution was found in Ralf Dahrendorf's theory of managing social conflicts, which called for making conflicts explicit instead of suppressing them (Boltanski–Chiapello 2005[1999], 62–67 169–172; Kärenlampi 1999, 9–15, 238–239; Kettunen 2008, 90; Mansner 1990, 431; Julkunen 1987, 37–42).

Belief in the inevitability of linearly progressing democratization as a part of modernization was often also expressed by Finnish and Swedish social scientists. Finnish sociologist Seppo Randell, who was appointed Chairman of the State Committee on Enterprise Democracy, spoke about the theme in the business magazine *Tehostaja* (Effectivizer) in autumn 1968: "Even though I hardly believe in any 'zeitgeists', it's impossible to deny the pursuit of democratization in many spheres of life."[6] According to Randell, youth activism in Finland and especially the Prague Spring earlier that same year signified that the movement was significant and could not be easily suppressed. Therefore, in due time, it was crucial to answer the demands for extended democracy.

Employer ideas on enterprise democracy were influenced especially by the approaches of the human relations school of management, which were compatible with the democratization ideas of the time. They inspired the development of human resources (HR) management as a corporate function. In Finland, the 1970s marked the consolidation of HR in enterprises, for example with the aid of a vast amount of educational material published by the Finnish employer organization STK (Lilja 1987). The Finnish business magazine *Yritystalous* (Business economy) even declared the 1970s "the decade of HR questions".[7] Like all management approaches, human relations aimed at increasing the efficiency of

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[6] *Tehostaja* 8/1968, 45.
[7] *Yritystalous* 7/1970, 26.

work organizations. As opposed to technical rationalization, which was believed to cause alienation and mental problems, HR emphasized the importance, even the psychological necessity, of influence and participation at the workplace. It was widely believed that contemporary workers demanded more autonomy, participation and responsibility, especially in matters concerning their everyday work (Seeck 2008, 103–105, 151–153; Kuokkanen 2015, 13–16; Schiller 1991, 111–112). Therefore, old authoritarian management styles were to be replaced with democratic ones. Drawing on a linear conception of history, many theorists and managers portrayed these old practices as antiquated in a democratizing society, where the only way to make organizations more efficient was listening to the employees.[8] In the 1960s, therefore, the belief of democratization being an intrinsic trait of a modernizing society was common and legitimized the democratization of working life (Bergholm 2014; Kärenlampi 1999: 50–51).

Despite the widely shared belief in the inevitable democratization of societies, a disagreement over the criteria of enterprise democracy came up. It concerned the extent to which ordinary citizens or employees could take part in decision-making within companies: would they have actual power to make decisions or would they only be consulted beforehand? The question was essentially about the division of power in companies. Swedish historian Lars Ekdahl has described power over the economy as a latent issue in Swedish politics. The 'Swedish model' was based on a historical compromise between capital and labour, which approved private ownership and the employers' right to manage and distribute work. When these principles have been questioned, such as in the planned economy debate after WWII, the employer side and bourgeois parties have reacted with a counter-campaign (Ekdahl 2002: 24–26; Sjöberg 2003: 212–215). To apply a distinction used in working life studies, employers viewed enterprise democracy as a question of human resources management. It was considered a technical problem in achieving predetermined goals, and did not mean distribution of power or managing conflict as much as efficient management for the benefit of the company. The employee side's viewpoint, in contrast, was 'industrial relations', which included questions of power relations and conflicting interests (Kettunen 2015: 107–109).

Employers and employees in both Finland and Sweden leaned towards a similar classificatory scheme of enterprise democracy, based on international 'models' that gave a different amount of power to the employees. The same typology is used in most sociological and management-theoretical research on employee participation (Knudsen 1995: 8–10; Lundh 1987: 19–21). The most common terms delineating the meaning of enterprise democracy in this respect were 1) information and communication, 2) consultation or 'co-influence' (medinflytande/myötävaikuttaminen), 3)

[8] E.g. *Yritystalous* 13/1969, 36; *Yritystalous* 13/1970, 29.

codetermination (medbestämmande/myötämääräämine) and 4) employee self-governance.[9] The second level after information referred to cooperative consultation, which took place, for example, in Finnish and Swedish production committees and works councils. Employee self-governance usually referred to the Yugoslavian model, where employees governed companies through workers' councils and elected the board and managers amongst themselves.[10]

Codetermination was situated between these ideal types and meant that employees had a say in some decisions, for example through a German-style parity representation in governing bodies or by requiring an agreement before decision-making. However, in practical rhetoric the distinction between codetermination and consultation was often unclear. A key feature of the debate was disagreement as to which of these models would represent 'true' or desirable enterprise democracy: employees demanded codetermination and even self-governance, whereas employers spoke for consultation and communication. The parties stuck to their rivalling definitions for several years. In Finland they came closer only after the second committee report was completed in 1974. In Sweden, the employer side opposed some features of the 1976 codetermination legislation but was ready to use it as a framework for future negotiations.

In its definitions of enterprise democracy, the employer side focused on improving cooperation and communication at the workplace, which had been the dominant employer line of industrial democracy since the 19th century. Employers called these practices democratic but did not support employee claims for decision-making rights or control of managers. They thus put forward different criteria for enterprise democracy – and for democracy in general – than the employee side. It could also be interpreted that employers tried to portray the question as only concerning the range of reference of democracy: the essential criterion of employee influence or participation could also be fulfilled through consultation.

The employer side was aware of the contested nature and different meanings of enterprise democracy. This is evident in the 1964 book *Företagsdemokrati och företagsorganisation* (Industrial Democracy and Industrial Management) by Swedish management theorist Eric Rhenman.[11] The study was commissioned by SAF and became the most influential theoretical work defining employer position on enterprise democracy (Schiller 1988: 21–23). Rhenman's starting point was the contested meaning of enterprise democracy, which the author wanted to clarify with a "common frame of reference" based on modern organization theory. Rhenman argued that different meanings of the concept made discussion difficult. Even though everyone would agree on the basic principle of employee participation in

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[9] LO 1961: 110; SAF 1965: 50; Koljonen 1966: 164–225; Wiio 1970: 134–171.
[10] E.g. Pöppel 1968.
[11] Rhenman 1968 [1964]. I have used the English translation of Rhenman's book, but checked correspondence with the original Swedish edition. Translation problems are highlighted by the fact that the English version consistently translates *företagsdemokrati* as 'industrial democracy'.

management, people were “quite possibly considering very different practical steps and aiming at quite different goals”.[12]

The employer side’s position was clearly expressed. They argued that even though democratization of enterprises was desirable in principle, the meaning of enterprise democracy could not be analogous to political democracy. In 1965, SAF’s report *Samarbetet i framtidens företag* (Cooperation in the Enterprise of the Future) expressed reservations towards combining democracy and working life, as politics and enterprises were very different environments:

> The concept of democracy has its natural area of use within analyses of the political life. In this context the term also gains its ideological content. When one talks about ‘industrial democracy’ and ‘enterprise democracy’ it means transferring the terminology to the circumstances of enterprises, which creates risks of misunderstanding and false analogies.[13]

Employer representatives often continued by arguing that if enterprise democracy was understood as different from political democracy, it had actually been realized to a large extent, for example through balancing the interests of employers and employees. This belief was expressed in SAF’s 1965 report: “Employees have significant influence in the company through their organizations and other routes.”[14] Many employer representatives argued that in modern organizations power was already delegated and decentralized, which made claims of oligarchic decision-making misguided.[15] This kind of argumentation is at the core of conceptual struggles, because it implies that the other party has defined a concept in a wrong way, and even has a false picture of the social problems at stake. To supplement Hirschman’s typology of reactionary rhetoric, this argument could perhaps be named a ‘false diagnosis thesis’.

The rhetoric of Finnish employers followed similar paths, and explicit references to Rhenman and SAF were often made. STK representative Osmo A. Wiio expressed a belief resembling Rhenman’s: employers and employees had a shared meaning for enterprise democracy but pursued different means and goals. Wiio quoted Norwegian management theorist Einar Thorsrud, who had defined enterprise democracy as “distributing the possibility to social influence to all participating in working life as opposed to concentrating influence to only a few people”.[16] In Wiio’s view, this meant that employee self-governance, codetermination, consultation, and communication could all be considered forms of enterprise democracy. Its counter-concept was patriarchal, authoritarian leadership. Wiio argued that

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[12] Rhenman 1968 [1964]: 3–4.
[13] SAF 1965: 15–16. Unless indicated otherwise, all translations from Swedish and Finnish are by the author.
[14] SAF 1965: 15–16.
[15] E.g. Enström 1965: 603–608.
[16] Wiio 1967: 108.

enterprise democracy should not be linked exclusively to one model, but the most appropriate models should be found in different companies.[17] Thus he implied that the employers' definition of enterprise democracy was more encompassing than the employee side's. However, the potential scope of enterprise democracy was practically narrowed by defining consultation the most appropriate model.[18] In this version, the concepts of participation, cooperation and communication delineated the field of acceptable democratization, which was adapted to the objectives of enterprises.

Although the term enterprise democracy was often used in a positive sense, especially in Finland, employer representatives were more comfortable with the term cooperation (yhteistoiminta/samarbete). In Sweden, the employer side had traditionally preferred this term over industrial or enterprise democracy (Lundh 1987: 479–481). This tendency continued in the 1960s. Eric Rhenman suggested that it was best to forget the ambiguous term enterprise democracy, which was "overloaded with time-worn emotions and evaluations".[19]

The title of SAF's report *Samarbetet i framtidens företag* (Cooperation in the Enterprise of the Future) reveals which term the employers favoured. In the report, the concepts of industrial and enterprise democracy were only used to describe previous debates. Actual practices at workplaces were called cooperation. SAF continued this line until the early 1970s and often abstained from using the concepts of industrial and enterprise democracy. Finnish employers, in contrast, used the concepts more explicitly but ascribed their own meaning to them. As enterprise democracy and codetermination became key terms describing the aspired scope of democratization, Swedish employers also began to use them more frequently. This suggests that the labour movement at this point had a strong agenda-setting power, and the employer side had to modify its language. However, employers still tried to replace enterprise democracy with cooperation, and especially codetermination with the milder term 'co-influence', which was close to consultation. In the second half of the 1970s cooperation again became the dominant term, as Bernt Schiller has noted (Schiller 1988: 12–13).

It seems that SAF considered the word democracy threatening because of its layers of meaning that pointed to the distribution of power and control by leaders. Employers rather portrayed economic activities as harmonious and apolitical, for which the term cooperation suited well. SAF's uncomfortable relation with enterprise democracy became explicit in a statement by CEO Curt-Steffan Giesecke in 1971:

> Because conceptual confusion now becomes even more evident, it would be desirable that the term democracy was reserved for political democracy and that in the area of working

[17] The same typology of enterprise democracy was used in many management guidebooks. See, for example, Saarikko–Voutilainen 1977, 18–20.
[18] See also SAF 1965: 194.
[19] Rhenman 1968 [1964]: 136.

> life terms like cooperation and co-influence would be used. Both the development of political democracy and cooperation within companies would surely fare well after such conceptual distinctions.[20]

The policy of the Finnish employers regarding the criteria and terminology of enterprise democracy was similar to their Swedish counterparts, and SAF's material was used as a source of definitions and arguments. A strong emphasis on cooperation is found in the 1974 book *Yritysdemokratia: yhteistoimintaa yrityksessä* (Enterprise Democracy: Cooperation within Enterprises) by STK's Eero Voutilainen, who published widely on personnel management and cooperation. Voutilainen's definition implies a desire to leave the concept of democracy in the background, probably for reasons shared with SAF. Instead of being a democratic reform, Voutilainen defined cooperation as a necessity in all corporate activity.

> As the most important trait of enterprise democracy is cooperation, the concept of cooperation has often been used instead of enterprise democracy. Because this concept clearly expresses what is fundamentally at stake, using it is rather recommendable. Enterprise democracy is cooperation between different parties within a business organization. Enterprise democracy does not exist without an enterprise, and no enterprise can survive without functioning cooperation.[21]

Enterprise democracy's range of reference: Democratic management and influence in everyday work

The potential range of reference of enterprise democracy was also contested, but was more open than the concept's necessary criteria. Both employers and employees considered that enterprise democracy could be manifested in many different practices and organizational models as long as the criteria were fulfilled. Different emphases came up especially on the axes of direct/representative democracy and influence in everyday work/in strategic management. These disagreements also drew on different classifications of democracy and their desirability. For example, the employer side's argument that companies were not analogous to societies was used to justify the incompatibility of representative democracy as a model of decision-making.

Instead of a universal model of representation, Swedish employers preferred local cooperation with employees, where companies themselves could determine the most suitable practices (Stråth 1998: 226–228). SAF stressed that the same model of cooperation could not be applied in every enterprise and

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[20] 'Ett ökat medinflytande i företagen måste baseras på fortsatt snabb utveckling av produktiviteten'. *Arbetsgivaren* 10.9.1971: 7.

[21] Voutilainen 1974: 3.

emphasized adaptation to their specific needs (företagsanpassning). Employers often turned enterprise democracy into a question of management techniques and organization design rather than employee influence. In this line of thought, managers became the central actors of democratization. The concept 'democratic leadership' was often pitted against 'authoritarian' management styles, which were deemed outdated.[22] Despite emphasizing direct relations between managers and employees, SAF was generally pleased with the existing works councils and stated that although they were less important than democratic management, in many companies they provided the most suitable model of cooperation.[23]

When the debate on enterprise democracy heated up in the late 1960s, SAF continued to oppose new regulation but spoke for experimentation in companies to find the most appropriate forms of cooperation. Employers emphasized employee influence in everyday work through new organizational forms like project groups. These normally gave employees power in operational matters – their own work methods and work environment – but did not intervene with the strategic power of managers (Julkunen 1987: 58–60). Especially the results of Norwegian experiments on 'self-managed groups' were positively commented on in public. The experiments seemed to confirm that shop floor influence, where groups of employees could determine how they organized their work to reach production goals, was more efficient and created more satisfaction than representative models.[24] The Norwegian example was so influential that in 1969 Swedish labour market parties agreed on voluntary experiments of self-managing groups and other new forms of cooperation. (Schiller 1988: 49–51).[25]

Finnish employers were also keener to introduce direct influence in everyday work through self-managed workgroups and other new forms of work, and less keen to establish new representative bodies.[26] The Norwegian experiments aroused great interest and similar interpretations of desirable organizational models.[27] Like in Sweden, STK encouraged its member companies to initiate their own experiments of enterprise democracy, and in 1971 there were almost 500 experiments underway. In this way the definitions and practices promoted by the employer side were implemented before any official enactments. Voluntary experiments increased the consultation and information rights of the employees, and existing production committees were often turned into 'cooperation committees' with slightly extended mandates. Agreements between central labour market organizations also increased cooperation in rationalization and training issues in the early 1970s (Mansner 1990: 440–443). This may have been

[22] Rhenman 1968 [1964]: 131; SAF 1965: 175–177; Leinonen 1967: 14.

[23] SAF 1965: 180–184.

[24] E.g. 'Självstyrande grupper kan öka produktivitet och arbetstillfredsställelse'. *Arbetsgivaren* 7.2.1969: 5; 'Självstyrande grupper skapar ny mentalitet i företag'. *Arbetsgivaren* 18.4.1969: 4.

[25] The experiments were reported in employer newspapers in order to show that employee influence was increasing. See e.g. Westermark 1972; Bendrik 1972, 7; 'Projektgrupper ger medinflytande'. *Arbetsgivaren* 14.4.1972.

[26] Pärnänen 1968: 286; Saarikko & Voutilainen 1977: 7.

[27] Wiio 1970: 138–139, 188–189.

largely a strategy for rebutting the most radical demands on the employee side and the left, but it seems that it was, at least in part, based on spontaneous efforts to find more efficient organizational practices.

Discussion on direct and representative forms of enterprise democracy was closely connected to the question of issues handled within enterprise democracy. In both Finland and Sweden, the employer side was clear on its aim to restrict these issues to job design, organization and other matters close to everyday work. This has been a common employer stance in past debates of working life democratization (Knudsen 1995: 10–12). In Finland, the STK stated that they would not negotiate on employee participation in top management or on profit sharing. Instead, they welcomed procedures which improved the possibility of employee participation in security and work satisfaction issues.[28] In Sweden, the SAF determined that in addition to planning and organization of work in project groups, works councils could discuss issues like personnel policy, long-term planning, and rationalization. However, it was always stressed that the councils were bodies of consultation and information.[29]

In Finnish state committee reports, profit sharing and employee representation in corporate governance were eventually left outside the discussion. The committee's proposed an organizational model for enterprise democracy with two representative bodies: personnel councils and cooperation committees. The cooperation committees would have consisted of both employer and employee representatives and would have made decisions unanimously or by vote, with a veto right reserved for the employer side. The personnel council would have had only wage-earner representatives, but its role would have been consultative.[30] Employers were against this model and continued to emphasize direct influence in everyday work. In Sweden, there was no serious discussion on councils consisting exclusively of wage-earner representatives. The most significant representative sites would have been the board of directors and the works council, where employers were also represented. Both employers and employees also emphasized the use of existing trade union organizations.

Perhaps the greatest institutional difference between Sweden and Finland was that in Sweden employee representation in corporate governance was established by legislation in 1972. The reform gained wide support from Liberal and Centre parties as well as white-collar organizations, and the Social Democratic government was ready to legislate without a labour market agreement. After a trial period, trade unions gained the right to appoint two representatives in the boards of directors of companies with 25 or more employees (Schiller 1988: 67–87; Simonson 1988: 91–103). The attitude of SAF and its member companies was negative at first. SAF argued that proper results from the different company-level

[28] Meeting of STK's Board of Directors, Apr 28 1969, STK archive, ELKA; Mansner 1990, 435.
[29] E.g. 'SAF-skrift diskuterar samarbetet i företagen'. *Arbetsgivaren* 9/1971.
[30] Committee Report 1970:A3, 443–445; Committee Report 1974:99, 28.

experiments should have been gathered before issuing new legislation.[31] In the end, however, employers did not find employee minority representation harmful to private companies.[32]

The value of enterprise democracy: National interest as a limit to democracy

Disagreement over the desirability of enterprise democracy and its relations to other values were central parts of the Finnish and Swedish debates (cf. Skinner 2002: 169–171). In this section, I will analyse what were the most potent concepts for legitimizing and criticizing enterprise democracy, and what kind of conceptual hierarchies can be discerned from employer rhetoric. I will also analyse what kind of conceptions of working life and society different versions of enterprise democracy entailed. Especially the construction of 'political' and 'economic' spheres of knowledge and action was a key aspect of these conceptualizations.

The debate on enterprise democracy is an interesting example of struggles over concepts. It is worth noting that the employer side did not usually portray enterprise democracy as undesirable, even though especially in Sweden they avoided using it. Instead, the employee side's definitions of the concept were heavily criticized. Employer statements show that they believed some reforms to be necessary in working life. Developing new forms of participation and cooperation was not only a reaction to the demands for democratization, but it also stemmed from the internal need to make the organizations and practices of enterprises more efficient in the context of structural change and international competition (Boltanski & Chiapello 2005: 70–75; Julkunen 1987; Lilja 1977). This is visible in the emphasis of enterprise-level experiments. The Swedish employer newspaper *Arbetsgivaren* wrote that there was strong will to develop productivity and work satisfaction. If it could happen in forms that adapted cooperation to different enterprises, something "truly positive" had been created.[33]

Even though democracy, equality and work satisfaction were important values in political debate, employer representatives did not begin their argumentation from them, but from a fundamental economic belief: the necessity of economic efficiency in a competitive and increasingly internationalized market economy. Due to the centrality of this belief, a major tension was formed between the concepts of democracy and efficiency. This dichotomy has been one of the recurring problems of working life democratization (Dryzek 1996: 60–61; Julkunen 1987: 46). However, we can paint a more nuanced picture of the conceptual struggle by looking at other values and their hierarchies in employer thought and rhetoric.

[31] 'Forcerat samarbetsförslag'. *Arbetsgivaren* 11.8.1972, 2.
[32] 'Nya styrelseledamöter'. *Arbetsgivaren* 15.12.1972, 2.
[33] 'Klarsignal för experiment'. *Arbetsgivaren* 3.10.1969, 2.

In his influential book, Eric Rhenman did not mention the extension of democracy as the goal of enterprise democracy. Instead, he specified two main objectives: 1) increasing productivity, 2) balancing different interests and decreasing conflict within the company. Rhenman's conclusion was that most models did not fulfill these aims, and therefore he proposed a new approach based on business economy.[34] SAF's Cooperation Report took efficiency as its starting point, but acknowledged that there were also other perspectives, such as sociological and political viewpoints. However, the report argued that the demand for efficiency could not be overridden. It was "totally alien to reality" to question efficiency or productivity as dominant demands for enterprises. This concerned especially the prevailing situation of Swedish companies: "Their possibilities of survival in the long run are highly dependent on their capability to hold off international competition."[35] On the employer side, employee influence was not an end in and for itself, as it conflicted with the employer's freedom of action. Better goals were balance of interests and job satisfaction. However, the "all-encompassing demand for a company" was improving its productivity.[36] This constellation of values was also used in the Swedish works council agreement in 1966: the task of the councils was to promote productivity and work satisfaction.[37]

According to Albert O. Hirschman, one of the recurring strategies and tropes of reactionary rhetoric is to argue that a reform jeopardizes something valuable that already exists or is pursued in society (Hirschman 1991, 7–8). In employer rhetoric, a 'jeopardy thesis' was a common way to question the desirability of enterprise democracy. At least when defined and implemented in a wrong way, enterprise democracy was claimed to jeopardize not only efficiency but even more important values. These included the growth of welfare, which was portrayed as a common interest for companies, their employees and the entire society. Enterprises were portrayed as guardians of the national interest rather than as organizations pursuing their particular interests. Instead of maximizing profits, their objective was to secure their own continuity and employment.[38] This belief was a cornerstone of employer rhetoric in both Sweden and Finland. It was often expressed in the debate on the social responsibility of companies, which was already being discussed in the 1960s.[39]

A logical derivative of this belief was that if efficiency was jeopardized, so too was the national interest. Päiviö Hetemäki, the CEO of Finnish STK, stressed that the welfare of the whole society was dependent on the efficient realization of corporate objectives. Therefore, it was crucial to find means of employee influence which would not disturb the development of the general welfare. Hetemäki argued that in reality economic activity left very little room for choices. Democratic decision-making thus inevitably

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[34] Rhenman 1968 [1964]: 133–134
[35] SAF 1965: 57
[36] SAF 1965: 81–82, 86–87
[37] 'Nya samarbetsavtal SAF–LO och SAF–TCO'. *Arbetsgivaren* 6.5.1966, 5.
[38] Pärnänen 1969b, 22–23
[39] 'Sagt på SAF-konferens i Karlstad om människan i arbetslivet'. *Arbetsgivaren* 16.5.1969.

jeopardized economic efficiency. "The national economy could not bear such a hindrance, which will be formed when corporate management is subjected to collective vote," Hetemäki stated.[40] STK representative Osmo A. Wiio argued in the same vein that there was no clear evidence that "ideal traits" of democracy, such as equality and control over leaders, would help companies reach their goals. Instead, implementing democracy as an intrinsic value had for example in Yugoslavia apparently slowed down the operations of companies.[41]

This kind of argumentation was not a novelty in Finland. Historically, it has been more of a rule than an exception to legitimize different objectives and actions, such as rationalization of production by appealing to national interests and giving them a very economic nature (Kettunen 1994: 261–264; Kuokkanen 2015: 73–77). Some scholars have argued that the role of economic necessities as policy legitimation and as a means to depoliticize certain issues has been a fundamental characteristic of Finnish political culture, even more central than in other Nordic countries (Alapuro 2010: 534–536; Kettunen 2008: 88–89; Kyntäjä 1993: 260–265; Kosonen 1998: 121).

In the rhetoric of Finnish employers, national interest, which often figured in the more tangible form of increasing welfare, was a more common legitimation concept than private ownership or economic freedom. Even though enterprise democracy challenged the principle of private ownership, it was defended only occasionally.[42] It seems that the right of ownership was a rarely used legitimation strategy also in the Swedish debate. It is possible, however, that appealing to ownership was not considered necessary, as enterprise democracy challenged only part of the power based on ownership, not private ownership itself.

Despite their critical tone, employers valued enterprise democracy positively, provided that it was adapted to the necessities of economic efficiency and competitiveness. This meant defining enterprise democracy as cooperation and consultation. Employers argued that efficiency was best guaranteed by competent management and a certain organizational hierarchy, complemented with flexible practices of cooperation. Taking the employees' interests into account and improving their work satisfaction were considered productivity factors, especially in new management theories. Eric Rhenman even suggested a new definition of efficiency that would include work satisfaction. However, satisfaction increases were not desirable if they resulted in decreasing profitability.[43] By contrast, enterprise democracy in the sense of employee participation in final decision-making – especially via representative models – was portrayed as an inflexible and bureaucratic practice that threatened crucial components of national interest such as competitiveness and welfare.

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[40] *Tehostaja* 8/1968, 50–51.
[41] Wiio 1970: 179–180
[42] E.g. *Tehostaja* 8/1968, 48.
[43] Rhenman 1968 [1964]: 127–128; SAF 1965: 97–107

Dominant beliefs: The distinction between 'political' and 'economic'

One of the key distinctions in employer rhetoric was the fundamental difference of political and economic issues and practices. The employers agreed that enterprises and workplaces should be democratized, but not in a way analogous to political democracy. They argued that political goals were always a matter of debate, but companies could not be organized on the basis of political ideologies. They had one primary goal, survival in competition by operating efficiently.[44] This was strictly a matter of economic facts, not political choices. Facts and values, knowledge and ideology, were to be separated. SAF director Karl-Olof Faxén expressed this belief, which determined the appropriate limits of enterprise democracy, as follows:

> It is thus the surrounding world that sets the demand to constantly strive for increased profitability. An ideologically grounded development towards enterprise democracy does not interest customers. It cannot last in the long run if it does not fulfill other demands at the same time.[45]

Employer representatives often continued this line of thought by arguing that employees – or politicians – did not have the necessary knowledge on economic affairs. Therefore, decisions had to be left to managers and other experts. SAF newspaper *Arbetsgivaren* made this argument, albeit with a reservation, in its editorial: "A company cannot be managed through a collective vote – some must have the right to make decisions. This is still the task of experts, which of course need to have power, but should also have a small possibility to misuse this power."[46] Finnish STK official Heikki Pärnänen argued in similar vein that the objective of economic efficiency and the means to achieve it were "not matters of vote but matters of expertise".[47] The possibility of participation at work was essentially dependent on expertise, and the operations had to some extent be based on hierarchy in order to secure efficiency.[48] Hierarchy was therefore legitimized by appealing to a common interest and to differences in competence, which has historically been a common strategy for many critics of democracy (Held 1996: 105–110; Dunn 2005: 46–52, 76–80). Another way to argue for the apolitical nature of corporate activity and cooperation was insisting that they were strictly matters between the labour market parties not to be 'politicized' by state intervention, and certainly not by issuing legislation. This was repeated in numerous statements by the employer side in both Sweden and Finland.[49]

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[44] SAF 1965: 58–59, 66–67, 86–87
[45] Faxén 1971: 4.
[46] 'Makt och koncentration'. *Arbetsgivaren* 23.2.1968: 2.
[47] Pärnänen 1969a: 166; Pärnänen 1970a: 80
[48] Pärnänen 1969a: 167
[49] E.g. 'Företagsnämnder behöver arbetsro'. *Arbetsgivaren* 20.10.1967, 2.

Sometimes employer representatives explicitly claimed that in overlooking economic facts, advocates of employee decision-making prioritized their group interests over a broader, even national interest. STK's Heikki Pärnänen stated: "A company, while working as an instrument in society's economic activity, may come into conflict with individual members or a group of their personnel, the objective of whom is especially to improve their own security and living standards" (Pärnänen 1968: 284). Eric Rhenman's stakeholder model had influenced Pärnänen, who also saw managers as the best people to mediate these conflicting interests. It is worth noting that the employers refrained from appealing to their group interests in public, which gave their arguments and expert position more credibility. Group interests may very well have been a significant motive for them, but this cannot be verified by rhetorical analysis. Employee representatives, in turn, often appealed to the security, self-determination and rights of the workers rather than to common interests. This may have made it easier to accuse them of advocating particular interests.

To strengthen their argument that ultimately rested on the concept of national interest, employers argued that the conflict between labour and capital was mostly illusory. Instead, the common interest of both parties and the foundation of enterprise democracy were found in the continuity and success of the enterprise. Cooperation between employers and employees would help in perceiving this real state of affairs.[50] Stig H. Hästö, Finnish CEO and later chairman of STK, argued that cooperation in the sense of consultation and communication helped perceive the interest of the company. This required setting aside all sources of conflict.

> While acting in this spirit, we will understand things better on every level, we will realize the inevitability of measures and changes. (…) Taking a step of this nature would require a harmonious, balanced view of society, not by any means a quarrelsome society.[51]

This kind of functional view of working life, which portrays it as completely void of harmful or unjust power relations and struggles, has been common to employers and business representatives in Finland and elsewhere (Kettunen 1994: 294–300; Kettunen 2001: 29–35; Knudsen 1995: 14–18). It also goes back to the different layers of meaning of the concepts cooperation and enterprise democracy. Cooperation presupposes only one common interest – that of the company's – which is objective and can be achieved with sufficient knowledge. Hierarchical decision-making is therefore conceived as natural and necessary, not coercive or authoritarian. The concept of cooperation seems to have been an attempt to conceptually isolate the employee side's perspective, which emphasized the conflict and asymmetric power relation between capital and labour, from the economic life. Critical scholars have pointed out that also human relations theories of management mostly assumed the inherent functionality

[50] For example, Wiio 1970, 19–25.
[51] TA 2.6.1977, 4.

and common interests of work organizations instead of considering their potential structural conflicts. New models of employee participation appropriated some demands for autonomy and work satisfaction but did not redistribute strategic power to the employees or give them the power to control and supervise their managers, which had been core features of the leftist visions of working life democratization (Boltanski–Chiapello 2005 [1999]; Kuokkanen 2015: 13–16, 26–29; Julkunen 1987: 52–54).

The primacy of efficiency

The employee side did not have strong means to question the primacy of national economic interest, which was anchored in concepts like efficiency and competitiveness. Trade union representatives in both Finland and Sweden acknowledged the necessity of economic efficiency in creating growth and welfare. They usually agreed that reforms had to improve efficiency and competitiveness.[52] Employee representatives, especially in Finland, did not put much effort into promoting rivalling conceptions of national interest based on immaterial values such as democracy, equality and security. They could, however, claim that common interest was unreachable in the prevailing reality of conflicting class interests.[53] A more common strategy was not to deny the primacy of efficiency but argue that the capitalist mode of production and rationalization were, in fact, less efficient than their socialist alternatives (Kettunen 1994: 277–283). However, when trade union representatives argued that enterprise democracy would increase economic efficiency, it was not always clear whether they were advocating altered power structures or consultation and cooperation. In the end, many employee representatives adopted the strategy of arguing that enterprise democracy would promote economic efficiency in a capitalist society instead of prioritizing democracy over efficiency in their rhetorical hierarchy of values.[54]

When rhetorically combining democracy and efficiency, the employee side did not question the value hierarchies of the employers, which prioritized efficiency over democracy. This had also been a common strategy in other debates on labour market policy (Kettunen 1994: 397–398). Therefore, the agenda of the debate was defined, either consciously or unconsciously, as reconciling democracy with efficiency, not the other way around. This hierarchy was codified in the assignment of the first Finnish state committee investigating enterprise democracy. The committee had to "draw up suggestions which could be used to develop enterprise and workplace democracy without efficiency losses".[55] It stated in its final report that it was useful to examine if democracy could in some cases be prioritized over

[52] E.g. *Palkkatyöläinen* 23.4.1970, 1; *Arbetsgivaren* 3.10.1969, 4.
[53] SAK 1969: 5–6; Hautala 1970: 62–64
[54] E.g. Koljonen 1966
[55] KM 1970: A 3, preface.

efficiency, but also confirmed the status of efficiency as an overarching value: "Regardless of their closer definition, within the market economy the goals of an enterprise must be adapted to the frame of profitable operations and retaining competitiveness."[56]

However, the downsides of efficiency and growth became widely acknowledged in the 1960s and 1970s. These included not only decreasing work satisfaction but also environmental degradation. Besides material welfare, mental welfare was also taken as an objective, although it was usually left in the shadow of the necessity for efficiency. The prevalence of the critique of economic growth may explain why efficiency, or even rising living standards, were not clear-cut objectives in the rhetoric on the employer side, either. The Finnish management magazine *Yritystalous* (Business economy) stated in 1970 that the "immaterial aspect of welfare" could no longer be ignored in the debate on economic growth, but it might rather be a precondition to growth in the long term.[57] In this kind of rhetoric the hierarchy of values seems to twist into a circle, which suggests that ideas of 'virtuous circles' common in welfare state rhetoric were also common in Finland. The mutually reinforcing nature of efficiency and welfare gained familiar features of necessity (see also Wuokko 2016: 105–107). In his reply to trade union journalist Kimmo Kevätsalo, STK's Heikki Pärnänen expressed a belief in the indispensable nature of efficiency as a step to the greater good.

> I fully agree with Kevätsalo on the fact that efficiency is not a meaningful objective for people in itself (…) personally, I enjoy summer holidays, free Saturdays, good food, etc. much more than a stressful day of efficiency. Unfortunately, however, no one has yet invented a magic lantern to fulfill my wishes better than efficiency.[58]

From enterprise democracy to cooperation and codetermination

In both Sweden and Finland, the debate on enterprise democracy led to new legislation, albeit along different paths. In Sweden, the process began later, but there was the political will to realize the Labour Law Committee's (Arbetsrättskommittéen) law proposal even if labour market parties disagreed. The Codetermination Act of 1976 (medbestämmandelagen, "MBL") became part of the "labour law offensive" in Sweden, which included new legislation on shop stewards, the work environment, and employment protection. The SAP and the LO were willing to improve the conditions of Swedish employees even at the expense of harmonious labour market relations. In Finland, by contrast, the governments did not want to push legislation without an agreement between labour market parties. Therefore, the negotiations on enterprise democracy remained in a deadlock for several years.

[56] KM 1970: A 3, 104.
[57] 'Hyvinvoinnista pahoinvointia?' *Yritystalous* 2/1970.
[58] Pärnänen 1970b: 128

In Sweden, the employee side wanted to push through radical reforms, while employer representatives wanted to stay on a cooperative line. The MBL became a framework law that was to be supplemented through labour market agreements. It obliged employers to negotiate on significant changes affecting the employees. Employees gained the right to interpret laws and agreements in the case of a disagreement, and a right to make agreements on issues concerning the management of companies.[59] Despite these reforms, the law did not really change power relations but extended the cooperation practice that works councils already represented (Simonson 1988: 132–137; Schiller 1988: 118–123, 130–133; Johansson–Magnusson 2012: 170–175).

In the negotiations on the MBL's implementation, the LO continued to call for more influence, but the Social Democrats' loss in the parliamentary election in autumn and the formation of Sweden's first bourgeois government in forty-four years took away the 'legislation threat' from the employee side's weaponry. Birger Simonson (1988: 151–157, 187–189) has interpreted that at this point the initiative in the codetermination question moved to the employer side. The negotiations were difficult, and it took until 1982 to reach a solution, named the "Development Agreement" (utvecklingsavtal) (Simonson 1988: 157–180; Schiller 1988: 177–194; Johansson–Magnusson 2012: 177–179). The Agreement marked a retreat from most of LO's objectives. It emphasized competitiveness and cooperation, did not give codetermination an intrinsic value, and focused on technical development and rationalization rather than personnel issues (Simonson 1988: 180–185; Schiller 1988: 194–202).

According to Bernt Schiller, the development agreement continued the same tradition of labour market cooperation as the 1946 agreement on works councils. Fundamental power relations did not change, but the agreement did not exclusively follow employer lines (Schiller 1988: 215–217). Jonas Pontusson has emphasized more the power of employers. The employee side did not gain any veto or self-determination rights in the MBL. Despite the influence on work design and organization, employees continued to have little power in strategic decisions, such as the internationalization of Swedish firms. The employer side was unwilling to negotiate on major issues if it was not forced to. In other words, the boundaries of class compromise determined the room to manoeuvre in enterprise democracy (Pontusson 1992: 183–185).

In Finland, an agreement on enterprise democracy became possible when SAK left aside demands for real employee decision-making. This was due to slow progress, employer resistance and the small role reserved for employee representation. Trade unions began to fear that representative bodies could be used to circumvent existing trade union institutions, such as shop stewards, which had strengthened their role during the 1970s (Lappalainen 2003: 158–159; Mansner 1990: 446; Kalela 1981: 402–403). Trade

[59] Statens offentliga utredningar (SOU) 1975: 1. Stockholm 1975, 35–46; Lag (1976:580) om medbestämmande i arbetslivet <https://lagen.nu/1976:580#P11S1>

union and employer confederations reached an agreement on the outlines of enterprise democracy legislation at the same time as the Social Democrats, and Finnish business had reached a consensus on a new, more market-oriented economic policy to end economic stagnation (Outinen 2015: 85–90; Bergholm 2012: 402–403; Saari 2010: 469–471).

Inspiration from Sweden is evident in the Finnish legislation (Lappalainen 2003: 160–161). Both were based on fitting enterprise democracy to the existing organizations rather than creating new systems of representation. The explicit objectives of the 'Act on Cooperation within Undertakings' from 1978 were cooperation and efficiency.[60] The law required negotiations on issues that significantly affected the position of employees, such as layoffs and changes in work methods. They were to take place between the employer and individual workers or trade union representatives. In cases of disagreement, the employer retained the right to make the final decision. The only exceptions were certain social issues, such as employee meal and housing benefits.[61] Like in Sweden, the Finnish law was not named the Enterprise Democracy Act, but it was based on the employer-favoured concept of cooperation, which implied a less conflictual image of working life.

Extending the practice of negotiation between trade union and employer representatives at the workplace level thus became the primary model of enterprise democracy in both countries. Finnish employees used the Swedish Codetermination Act as a model to justify the organizational solution. In contrast, Swedish labour market parties do not seem to have taken very much inspiration from Finland during the debate, but they looked more closely at the development in Denmark, Norway and West Germany. Employers welcomed the reform that did not require organizational changes, while trade unions were not entirely happy but considered it a first step towards enterprise democracy (Kärrylä 2016). However, since the economic crises and the rise of new economic thought and policy in the 1980s, concepts such as enterprise democracy have mostly vanished from political rhetoric. In Finland, the practice of 'cooperative negotiations' (yhteistoimintaneuvottelut, abbreviated YT), became notorious because it was mandatory before layoffs. The abbreviation 'YT' became something of a symbol of the era of economic recession and mass unemployment.

Conclusion

The definitions of enterprise democracy by Finnish and Swedish employer organizations drew on similar conceptions of democracy and had many shared features. Employers advocated consultation and

[60] Säädös 725/1978. Laki yhteistoiminnasta yrityksissä. www.finlex.fi, alkuperäissäädökset. http://www.finlex.fi/fi/laki/alkup/1978/19780725?search%5Btype%5D=pika&search%5Bpika%5D=laki%20yhteistoiminnasta%20yrityksiss%C3%A4. (Accessed 5 Nov 2020).
[61] Ibid.; Mansner 1990, 446–448.

communication with employees, which were ideally realized through democratic management and forms of direct participation like project groups, focusing on issues close to individual employees, and the work process. To turn down the employee side's demands of stronger codetermination, the employers used especially two of the three reactionary theses typified by Albert O. Hirschman. Representative democracy and control of corporate management were claimed to *jeopardize* the efficient operations of companies and to be *futile* in the pursuit of employee influence and work satisfaction. During the debate, employers in both countries favoured the terms cooperation and co-influence instead of enterprise democracy and codetermination, but in Sweden the reluctance to use the former terms was higher. In Finland, employers admitted more explicitly that 'enterprise democracy' was needed, but gave the concept a meaning that was close to the Swedish employers' views on cooperation. The tendency to replace democracy with cooperation may have been a way to downplay questions of power relations central to the concept of democracy and promote a harmonious and apolitical image of working life, where the success of companies was based on objective knowledge and was ultimately a common interest.

The employee side in both Finland and Sweden saw the legislation of the 1970s as a first step towards enterprise democracy. However, with the benefit of hindsight it can be said that the Finnish Cooperation Act and the Swedish Development Agreement were instead first steps towards the hegemony of employer thought. After the 1980s, the rhetoric and practice of working life reforms have continued to emphasize cooperation and employee participation, but the idea of redistributing power and the concept of enterprise democracy have been discarded altogether. Even the Swedish concept of codetermination, implying an equal relationship between employees and employers, has lost much of its meaning. Questions of power have been almost completely removed from the world of work after the concept of enterprise democracy vanished from the political agenda.

Debates on enterprise democracy exemplify the gradual consolidation of a conception of working life as an essentially economic sphere of activity, which is – or at least should be – kept apart from the 'political'. In areas defined as 'economic', power and decision-making are not based on democratic rights but on objective knowledge, expertise and merit. Social relations are conceptualized as functional and as aiming for the common good, not as asymmetric power relations and conflicts of interest. Beliefs in the latter are dismissed as false consciousness, which only obscures economic facts. Within this kind of web of beliefs, employees can participate in decisions on issues close to their work, but most decision-making is reserved for managers who possess the required competence. Economic efficiency and growth are treated as inescapable components of the national interest, which other values need to serve. Employer representatives in both Finland and Sweden used national economic interest as their primary legitimation concept, and it was dominant in comparison to other possible legitimation

strategies. The economic conceptions of national interest also restricted the scope of democratic reforms by being taken as starting points for the work of state committees.

National economic interest was in effect an overriding cultural norm that conditioned the whole debate. This is what previous research on Finnish political culture has suggested, and it also seems to apply to Sweden to a major extent, even though there was more space for legitimations based on democracy and equality. It seems, however, that the economic and material base of human welfare and national interest was practically impossible to question. This conception was rather strengthened in the debate. The necessity of efficiency was based on convincing evidence and shared beliefs, which gave it a lawlike quality. Representatives of the trade union movement sought to justify enterprise democracy by appealing to citizens' and workers' rights to democratic self-determination and security, but it was hard to prioritize these values over efficiency. Most employees adopted the strategy of arguing that their version of enterprise democracy would promote economic efficiency in a capitalist society. In order to legitimize their objectives, they had to prove that increasing democracy would not undermine the self-evident foundation of welfare and common interest.

For decades, democracy has been conceived as the sole legitimate political system and as an important part of national identity in Finland and Sweden. However, depoliticization and the rhetoric of necessities reign when national interest is defined in terms of expanding the economy and welfare. This conception draws on managerialist thinking that emphasizes economic expertise over democracy and reproduces the division into political and economic spheres of society. Conceiving economy as a realm of objective knowledge illustrates a conceptual dilemma, which is one of the greatest obstacles to democracy also today. The dilemma is that the political sphere and the legitimate scope of democracy are limited by anything that is defined as objective as opposed to values and matters of opinion. However, both facts and values are based on beliefs, which are always potentially falsifiable. The distinction between facts and values is useful in assessing the rational warrant of different beliefs, but if facts are always determined outside democracy in different expert domains, a space for asymmetric power relations is opened. Therefore, we should reflect whether narrowing down the potential meaning and reference of democracy is a desirable course of development for a democratic society.

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