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Institutional Change and Adapting Preferences

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Abstract

The paper argues that the Swedish ‘neo-liberal’ party (Moderaterna) has adapted its policies because of the popularity of the ‘universal’ Swedish welfare state. The party has come to accept that the modern welfare state is irreplaceable.

We furthermore argue that the party’s moderate electoral platform in 2006 is earnest. In the “short run” the party can only hope to achieve incremental changes and it recognises this. Simultaneously however, the party in the “long run” wants to gradually change society. Over time the party in its rhetoric and ideological statements has emphasised the short and the long run differently. These differences between the ‘neo-liberal’ 1980s and 2006 should not conceal that the mechanism of welfare popularity largely remains the same. The party’s actual policy proposals tend to suggest incremental changes only in both periods.

Sammanfattning

Artikeln argumenterar för att Moderaterna har anpassat sin politik som en följd av den ”universella” välfärdsstatens popularitet. Välfärdsstaten uppfattas som given.

Vi menar vidare att förändringarna i partiets politiska plattform inför valet 2006 huvudsakligen är att betrakta som uppriktiga. Man är väl medvetna om att man de närmaste åren endast kan hoppas på att kunna genomföra inkrementella förändringar. Samtidigt vill dock partiet – i ett längre tidsperspektiv – fortsatt gradvis förändra samhället. Partiet har i sin retorik betonat det kort- och långsiktiga perspektivet olika över tid. Dessa skillnader mellan det ”nyliberala” 1980-talet och 2006 bör emellertid inte dölja att mekanismerna kring välfärdsstatens popularitet är de samma. Partiets motioner föreslår också endast inkrementella förändringar under båda tidsperioderna.

The Swedish Conservative Party and the Welfare State: Institutional Change and Adapting Preferences

1 Existing research on welfare reform

In spite of predictions of the opposite, the evidence suggests that the welfare state is alive and kicking. There is a general agreement in the literature that fundamental transformation of an existing welfare state is uncommon. There have been incremental adjustments, but there is persisting institutional variation between countries (Kersbergen 2000, Pierson 1994, Kuhnle & Alesalo eds 2000, Bonoli et al 2000, Pierson [ed] 2001, Ferrera & Rhodes [eds] 2000, Huber & Stephens 2001, Lindbom 2001).

Furthermore, there is a general theoretical agreement regarding the importance of the existing organisation of the welfare state for which trajectory welfare reform takes. A residual welfare state discourages middle-class support of welfare whereas a universal welfare state on the other hand encourages it (Esping-Andersen 1990, Rothstein 1998, cf. Pierson 2001). This difference creates different political logics in the two systems. Swank (2003) finds support for these arguments in a quantitative analysis of expenditure in fifteen countries.

What there is no agreement on is the importance of political partisanship for welfare reform. In this article, we will therefore focus on this issue. More specifically, we focus on if and how a universal welfare state structures the policy proposals of political parties. It is obviously less interesting to study the political left which is normally assumed to be inherently positive towards welfare state expansion. We instead analyse Sweden's (most) neo-liberal party Moderaterna. Their role in welfare policy-making has not been studied much. The Swedish historian Torbjörn Nilsson argues that the internationally unique power of the labour movement in Sweden has made researchers focus on how this – and the characteristic welfare state – can be explained. He however also claims that this power position has influenced the dominating discourse

regarding which questions and perspectives are possible to voice in societal debate (Nilsson 2002 p. 13, cf. Kersbergen 1995, Baldwin 1990).

We in particular analyse the 1980s and the electoral campaign in 2006 that brought the bourgeois parties to power.

2 The structural effects of existing welfare states on current politics

During the last decades, the power resource approach has dominated welfare research. Simply put, it argues that a strong labour movement is a precondition for a strong welfare state (Korpi 1983). The ‘New politics’ approach however argues that the politics of welfare retrenchment is not the mirror of the politics of welfare expansion. Even in countries *without* strong labour movements – like USA or the United Kingdom – retrenchment is almost impossible. Conservative parties do not dare to retrench the welfare state in fear of electoral repercussions. New interests have arisen as the result of the welfare state and important parts of the electorate seriously object to fundamental change (Pierson 1994, 1996). This argument has been criticised on empirical grounds by researchers arguing that major retrenchment has occurred in the United Kingdom and/or USA (Alber 1996, Korpi & Palme 2003). This is not the place to re-analyse the data, but obviously the major reason for the quarrel is that there is hardly ever clear criteria in the literature for when retrenchment has or has not occurred (cf. Lindbom 2001).

Ross (2001) in a sense takes the ‘New politics’ argument even further: She argues that retrenchment is generally easier for leftist parties than for rightist parties. Voters trust that leftist parties do not make cutbacks for ideological reasons and therefore they give them more space to manoeuvre when they are in government.¹ Green-Pedersen (2002) presents empirical evidence for this argument in Denmark and the Netherlands and Balslev (2002) does the same for Sweden.

With these contradicting theoretical effects in mind, it is not surprising that some quantitative analyses find no partisan effect on welfare expenditure in times of austerity (Swank 2001, Huber and Stephens 2001). Swank is nevertheless careful to point out that multi co-linearity for partisan variables are high in his study. The result should therefore be interpreted with caution, especially since other quantitative studies with a higher degree of precision in their measurement of the dependent variable do point to partisan effects (cf. Korpi and Palme 2003, Allen and Scruggs 2004).

However, in order to take the argument that institutions matter seriously, we need to make separate analyses for the different 'welfare regimes'. In universal welfare states, the political right is expected to behave differently than it does in liberal welfare states. Korpi and Palme (2003) analysis suggests that political partisanship remains important even when controlled for welfare regime, but we suggest that case studies do a better job if we want to study the importance of political partisanship.

The statistical analyses of Korpi and Palme (2003) do not take into account that the Swedish bourgeois government's cutbacks largely were legislated with the support of the Social Democratic opposition. When the Social Democrats got back in power, they moreover took formal replacement levels down to 75%, i.e. to a lower level than the bourgeois parties were able to/did. Last but not least, although varying replacement levels is a better measure of cutbacks than development in expenditures, large parts of the cutbacks are left out of their analysis. Balslev (2002) largely uses figures of cutbacks in budgetary legislation for twelve social policy programs and argues that the total sum of cutbacks implemented by the Social Democrats were larger than the ones by the bourgeois parties.

To sum up, partisan effects are less straight-forward than the gist of the power-resource approach suggests. Bourgeois parties face structural inertia that makes it difficult for them to change an existing welfare state, particularly in

universal welfare states. Our hypothesis is that Moderaterna's proposals adapt to the existing structures (and their changes).

3 Bourgeois parties in a universal welfare state

To some extent, power resource-theory acknowledges that an existing welfare state conditions politics. The labour movement was the main force behind welfare state expansion, but once a universal welfare state is institutionalised, the middle-class has stakes in most welfare programs and these also have a high general level of legitimacy (Esping-Andersen 1990, Rothstein 1998). In order to win elections, the bourgeois parties are therefore expected to try to attract the support of the median voter, i.e. to adapt to welfare state popularity (cf. Korpi 1981). This adaptation is however only strategic, their real preferences remain the same. Korpi (2005) makes clear that the power-resource theory is deductive when it comes to assigning preferences/interests to actors.

However, we argue that the possibility that the change of preferences is 'real' cannot be ruled out. If such real adaptation in fact occurred, it would however be a mystery from a power resource perspective (Joakim Palme, personal communication). Which are the theoretical mechanisms that could lead to real ideological change? It is certainly a possibility that a given leadership reconsiders its policy positions. But in matters of high importance, it is perhaps more likely that change occurs with time. A 'party' is in fact an abstraction.

At a given time, we should expect that there – within a party – exist a whole range of views on most topics. Therefore, firstly, a *power-struggle* may end with a different faction of the party coming to dominate. If this occurs after an election defeat due to unpopular reform proposals regarding the welfare state such change is endogenous to our theory. This type of change need not necessarily be stable. The next power struggle may bring a new leadership that restores ideology.

Moreover, a party is not necessarily the same in the 1990s as in the 1890s just because there is a historical legacy. Therefore, secondly, over longer time-periods, *generational change* may lead to changing views of what is 'natural'. For example, Moderaterna was generally hostile to public child care during the 1960s (Hinnfors 1992), but the current leadership – born during the 1960s – put their own children in such institutions. Whereas it was considered unnatural to do so in the 1960s (a woman's place was in the home), in the 2000s it is not (the wife of the party leader e.g. has a political career of her own). The party changed its position in the early 1970s, when the majority of families with small children consisted of two wage earners. From then on the party de-politicised the policy as such, but instead started to politicise the issue of private alternatives in supplying the service (Hinnfors 1992, p. 179). That is, certain parts of the ideology remain (largely) intact: The family is a central societal institution and the state should not intervene with how the husband and wife organise family life. Other parts of the ideology however change, i.e. the belief that child care institutions are bad for children. Ideological adjustment due to generational change is in its character more stable than leadership change caused by a power struggle.

In both types of change, ideology probably changes in one respect but not in others. It is reasonable to make a distinction between the core system of values on the one hand and views regarding reality on the other (Tingsten 1941). Whereas the first largely tend to be highly stable, the latter are probably much more volatile. Even when real changes in core ideology occurs, it may well be the ranking of different preferences that changes rather than one value replacing another.

An example of changing preferences is the supplementary pension. The bourgeois parties' proposals in the 1950s argued that the state should only be responsible for providing a basic security for pensioners. However, after one of the greatest political conflicts in Sweden during the 20th century, the Social

Democratic proposal that the public pensions should provide earnings-related benefits (ATP) as well prevailed. The bourgeois parties soon gave up their resistance to ATP (Uddhammar 1993).

When a crisis faced the existing pension scheme in the late 20th century, a broad political compromise – including the four bourgeois parties and the Social Democrats – on the future Swedish pension system was reached. By now, the existing pension system had matured and the bourgeois parties concluded that the double-payment problem made a switch from a pay-as-you-go system to a funded one politically impossible. The path-dependence of the existing welfare programme made Moderaterna change their policy preferences and act proactively in favour of adjusting the existing pension scheme rather than changing it in a fundamental way (Lindbom 2001, Green Pedersen & Lindbom 2006).

The point of the example is that the distinction between a ‘real change of preferences’ and ‘strategic change’ largely disappears in this context. The party adjusted to what is considered the best *possible* option in the existing context. We disagree with Korpi’s argument that we should understand preferences as exogenous and agree with the historical institutionalist scholar who argued that “Neither interests nor values have substantive meaning if abstracted from the institutional context in which humans define them” (Steinmo 1989, p. 502).

4 Research design

In order to establish how welfare state comprehensiveness affects resilience to welfare retrenchment we can either focus on citizens’ attitudes (cf. Albrekt Larsen, forthcoming) or on the behaviour and/or reasoning of the political elite. Since we particularly focus on the importance of political partisanship we naturally enough focus on parties. Moreover, whether or not citizens attitudes are conforming to the theoretical expectations (whether or not we have the methodological ability to discover this), if party elites *believe* they do (or not) is probably decisive for party behaviour.

We make a case study of Moderaterna using primary material. Most of the existing research on Moderaterna tends to focus on party ideology as it is presented in the public debate and how it has varied over time. For our purposes, this material however tends to be too vague and abstract and we instead mostly rely on the party's parliamentary proposals. But research on ideology helps us in choosing a time-period to study. The recurring description is that Moderaterna was relatively radical during the 1950s and 1980s, whereas the party moved towards the political centre during the 1960s and 1970s (Ljunggren 1992, Boreus 1994). Since a new party leader was elected in 2003 the party has yet again moved towards the middle. In order to study the influence of existing welfare structures on Moderaterna, we focus on the 1980s, *the least likely* time-period to find support for the argument that the party has largely accepted the welfare state and on 2003-2006 when it is more likely that such evidence can be found.

We analyse the sickness pay and the unemployment benefit.² Both are programs that supply the workforce with alternatives to selling their labour in the market and can therefore be expected to be the programs that are particularly targeted by neo-liberal cutbacks (Esping-Andersen 1990, Korpi & Palme 2003). When evaluating how radical the party policies are, we use the rules of the insurance schemes today as a guideline. If party proposals in the 1980s are as generous as the ones administered by the Social Democratic party – in power for twelve years – then surely they cannot be considered very radical. We moreover compare the proposals with the actual legislation implemented by the Conservative party in the United Kingdom. If Moderate policy proposals of the 1980s are comparable to the policies in force in 2006 and if they are distinctly incremental in comparison with the legislation in the United Kingdom, then the hypothesis that a 'universal' welfare state makes a 'neo-liberal' party fairly moderate gains support. This obviously is a much tougher test than it would be

to judge whether proposals match the key characteristics of a residual welfare state.

The second case-study evaluates whether Sweden's economic difficulties during the 1990s have changed the situation. The Social Democrats implemented certain cutbacks during their twelve years in power (1994-2006). If existing legislation determine what is possible for Moderaterna we should expect that their policy preferences have changed as the cutbacks opened new possibilities for Moderaterna in 2006. Simultaneously, the new party leadership is expected to acknowledge the structural limitations that the existing welfare state sets.

5 Moderate proposals in the neo-liberal 1980s

In Sweden, as well as in many other industrialised countries, neo-liberal ideas were introduced during the 1980s and it is often argued that these ideas came to dominate Moderaterna. Their party programme from 1984 was "clearly characterised by the neo-liberal line of reasoning (Boreus 1994, p. 145/our translation).

Indeed, in the party program from 1984 there are parts that easily can be interpreted as ideas about a residual welfare state: "When the resources of the state and the local governments are scarce, it is important that the resources are directed to those who need them the most" (Moderaterna 1994, p. 35/our translation). Another example is the statement that: "Social insurance should guarantee a basic security in cases of lost income and sickness" (Moderaterna 1994, p. 53/our translation). It seems like earnings-related benefits are endangered, maybe to be replaced by private insurance, and as if income-tested programmes are to gain in importance. In order to get more solid evidence for an interpretation, we look at more detailed arguments of the party's parliamentary proposals during the 1980s. They suggest that the party was not particularly radical.³ For the sickness benefit for example, the proposal from 1984/85 argues

that the replacement rate should be lowered from 90% to 80%, i.e. the same level as the scheme has in 2006. It can be added however, that the former Social Democratic government instructed the Swedish Social Insurance Agency to move clients that have been sick for more than six months from the sickness insurance to the early retirement program, i.e. lowering the replacement rate from 80% to 64% (Försäkringskassan 2006).⁴

The big political debate in the 1980s was however focused on waiting days (cf. Svallfors 1989, 1996). At the time, the day of calling in your sickness was a waiting day. On top of that, the Moderate party proposed that for the first ten days of absence a particular year, the replacement rate should be only 60% (Motion 1984/85:2431). In today's context, this does not sound very radical; after all, Moderaterna today proposes two waiting days. But in the context of the 1980s, it was different. In the spring of 1988, the blue-collar union (LO) threatened with massive strikes and the employers association (SAF) accepted a wage-agreement that raised the actual (rather than legislated) replacement rate to 100% during the first two weeks of absence (SvD, 9/5 2004).

The party's proposals regarding the unemployment benefit are more difficult to evaluate. The focus is on lowering the share of expenditure that is financed by the public from 95% to 80% and on establishing a compulsory unemployment insurance scheme (Motion 1984/95:900; 1987/88:Fi223). A few years later the implications were stated more clearly: During the first three months of unemployment the replacement rate was to be lowered from 90% to 80%. After that, the benefit level would return to 90% (Motion 1990/91:Fi217). Again, this proposal is rather generous since the formal replacement rate in 2006 is 80%.

Therefore it is not surprising that the bourgeois government stated that it supported the universal welfare state when it gained power in 1991 (Rothstein 1998). The parties, while still in opposition, had not offered a radically different alternative. They had instead centred on just how generous transfer payments should be (within a framework of income-security) and whether private

entrepreneurs should be allowed to compete with public in the services within a system with continued public financing (Ny start för Sverige 1991).

In fact, the major share of the cutbacks in the transfers to households came under the social democratic government 1994-98 rather than the bourgeois government (1991-94) despite the crisis opening a window of opportunity (Balslev 2002). Moreover, a very considerable part of the cutbacks in 1991-94 were made as a result of two broad agreements between the government and the Social Democratic opposition. These findings support the argument that only the Social Democrats have such a high degree of legitimacy when it comes to the welfare state that it can implement serious cutbacks (Green-Pedersen 2002). Cutbacks can be made when voters believe that they are economically necessary rather than ideologically motivated. Therefore, the framing of cutbacks is also important: there should be a just distribution of burdens. The Swedish Social Democrats therefore raised taxes to increase revenues to an extent that matched the decreased spending from cutbacks (Ringholm 1999). Since the Danish Social Democrats did not raise taxes in a similar way, such measures however do not seem to be necessary (Green-Pedersen, personal communication).

The cutbacks implemented by the Social Democratic government 1994-98 would probably not have been tolerated by the voters if it had been the bourgeois parties that had implemented them. After all, they probably chose to make the smaller cutbacks (with the co-operation with the Social Democrats) for a reason. This argument nicely illustrates the structural limitations that the existing welfare institutions create, in particular for bourgeois parties.

However, these limitations – it could be argued – are universal, they are not limited to comprehensive welfare states as our theory argues that they are. In order to discuss this counter-argument a short analysis is made of social policy reform in the United Kingdom. In its rhetoric, Moderaterna sounded much like the Conservative party in the United Kingdom, but in this section we argue that the British Tories in practice went much further in its implemented policy

reforms than the Swedish party ever proposed to go. The following is not a systematic attempt to explain the British case, instead the case is used as a contrast to highlight important features of the Swedish case.

The idea of making a comparison between countries is to highlight how the opportunity structure varies. In certain contexts, other conservative parties can be more radical than the Swedish party can be. Since the central theoretical argument here is that welfare state organisation makes a difference, we obviously want to compare with a country from a different welfare regime. More specifically, we want to compare with a country that tends to have residual characteristics (Esping-Andersen 1990, Rothstein 1998).

Out of these – mostly Anglo-Saxon – countries, many are federal, an attribute that Swank (2002) has shown can be very important for welfare state development. The United Kingdom and Sweden are however very similar in being highly centralistic (Immergut 1992, Bonoli 2000). They are however different in terms of social corporatism and electoral systems. But unions used to be strong in Britain before Thatcher arrived. The electoral rules have been quite stable over time, but the Tories changed their welfare state agenda fairly dramatically with Thatcher.

Obviously the majoritarian electoral system helped Thatcher to implement her policy reforms as we can see below. But electoral rules in themselves cannot explain why the Swedish Conservative party did not make more radical *proposals*. We argue that the difference between the two parties' proposals can be explained by the different welfare state contexts in which they operated. Historically the contexts have shared many similarities, but the elements of earnings-relatedness of benefits became much stronger in Sweden than in Britain from the 1960s and onwards. Because of this, it is highly likely that the middle-class around 1980 had much higher stakes in the welfare state in Sweden than in United Kingdom (cf. Esping-Andersen 1990).

In Sweden the earnings-related pension supplement (ATP) was introduced in 1959, but in United Kingdom a similar scheme was introduced much later and never became as important. In 1980, the standard pension replacement level (for someone who had a 'standard' work history) was only 37,5% in Britain to be compared to 64,1% in Sweden. Similar differences existed in the sickness and unemployment benefits (Allen & Scruggs 2004). We should therefore expect that the middle-class in United Kingdom turns to private insurance to gain income-security to a larger extent than in Sweden. In fact, the ratio of private social expenditure to total social expenditure was much higher in United Kingdom in 1980 (10,24%) than in Sweden (4,01%) (Adema 1999).

Another indicator of low middle-class stakes in the welfare state in Britain was the large share of income-tested programme expenditure of total expenditure on social security in 1980: 21,9% in Britain to be compared to 4,6% in Sweden (Gough, personal communication). All in all, data clearly shows that the welfare state found in United Kingdom was relatively residual whereas the one in Sweden was relatively universal (and earnings-related). According to Rothstein (1998), it is therefore highly likely that the middle-class found the welfare state in Britain lacking in substantive and procedural justice as well as in the sense of everyone paying their share of the burden.

During the last couple of decades we have seen fairly radical retrenchment in United Kingdom. For example, the earnings-related part of the unemployment benefit was removed. The maximum duration of the benefit was cut from 12 months to six months. The result of these and other changes has been a dramatic increase in the relative role of means-tested support for the unemployed (Bonoli et al 2000 p. 42, Woods 2001).

The British pension system has also been changed radically. The value of the basic pension in relation to an average income has decreased. The benefit formula of the earnings-related pension system (SERPS) was changed and employees were allowed to opt out of the system. The overall result has been a

decreased importance of the public schemes and a corresponding increased importance of private insurance (Bonoli et al 2000, p. 31).

The sickness benefit has been privatised and is provided entirely by employers, subject only to minimum rates set by the state. The state used to fund the system (90%), but no longer does so. The benefit has the same nominal value for all employees. The standard rate of sick pay represents a 43% replacement rate for an employee earning the national minimum wage and working 35 hours a week, i.e. a very low replacement rate in comparison to Sweden (Barmby et al, 2004, cf. Pierson 1996).

In Great Britain we therefore find fairly strong changes of the existing welfare states in the direction of a more 'liberal' one. We see an increased importance of means-tested benefits as well as of private social insurance. The Swedish 'neo-liberal' party never proposed anything nearly as radical as this.

The exception that proves the rule is health care. The Conservatives repeatedly backed off from plans to fundamentally restructure the system since these provoked a public outrage. By the end of the 1980s, the government's repeated promise had become "the NHS is safe with us" (Pierson 1996). Co-payment for health care has still not been implemented, unlike in Sweden where it has been around for a long time. The – universal – NHS was the most popular element of the British welfare state (Giamo 2001) and this seems to have stopped fundamental changes but not internal-market reforms similar to the Swedish ones.

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To sum up, Moderaterna was not very neo-liberal in comparison to its British counterpart. And furthermore, even the policies of the former Social Democratic government go further than the 'neo-liberal' party's proposals of the 1980s. Therefore the hypothesis that a 'universal' welfare state heavily influences the policy positions of bourgeois parties receives strong support even when tested in

the most unlikely circumstances, i.e. on the most neo-liberal Swedish party during its most neo-liberal time-period.

6 The ‘new’ and more Moderate party

After the debacle of the election in 2002, when Moderaterna received only 15,2% of the votes to be compared with 22,9% in 1998, the new leadership re-evaluated its old proposals. The new party leadership came to the conclusion that “the doubts of many voters that Moderaternas proposals for tax cuts were compatible with a sound state of the public finances was one reason that the party lost voters in the election in 2002” (Reinfeldt et al 2004/translation by the authors). The reference to voters’ preferences or perceptions is explicit, the link to the welfare state that those taxes finance is implicit. As a consequence of this analysis, the party has changed its core policy: the one of tax cuts. Promises of future tax cuts have been reduced dramatically.

In a speech to the party congress in the autumn 2005, Reinfeldt puts a heavy emphasis on making policies trust-worthy. Policy reform has to be possible to implement, trust-worthy and appear to be ‘safe’ to the electorate. Or as he puts it in a memorable phrase: “I didn’t become a Conservative because I believed in the idea of the Revolution” (Reinfeld 2005, p. 2). The new party leader wants to be seen as pragmatic and in favour of gradual change.

Tax cuts have not only been diminished, but also been re-targeted towards people with fairly low wages. Moreover, the proposed cuts of subsidies to local governments have also been reduced, since they might affect the quality of education and health care etc that local governments are responsible for. The quality of these services has been at the forefront of the last three elections in Sweden including the one in 2006. It is clear that most voters want public spending to increase – not decrease – in these areas (Svallfors 1996, 2004, DN 30/6 2006).

There is no doubt that Moderaterna has adjusted its policy proposals rather dramatically during the last few years. In the public debate there has been a discussion whether the change is for real or whether it is only the presentation of the party that has changed. It however seems that everyone agrees that the proposals are ‘soft’ compared to party proposals from the 1980s and 1990s. The editorial page of the major Swedish newspaper (Dagens Nyheter [DN]), traditionally social liberal, has criticised Moderaterna making the bourgeois alternative almost indistinguishable from the Social Democrats (cf. Wiklund 2006, pp. 233-36).

If we focus on the welfare state, it is hard to understand why. Today cutbacks focus on transfers to households rather than (indirectly on) services. But the party is for example proposing cutbacks in the replacement rates of the unemployment benefit from 80% to 70% after the first 200 days of unemployment and to 65% after 300 days. In the sickness insurance, the party wants to introduce a second waiting day and possibly reduce the replacement rate from today’s 80% to 70% after six months absence (www.moderat.se). Obviously, this is far more radical than the ‘radical’ proposals of the neo-liberal era of the 1980s that often were generous even compared to the current systems in 2006 (see above).

Why then are Moderaterna able to get away with, relatively speaking, radical proposals and still be described as relatively ‘soft’? New possibilities to propose cutbacks have opened as the Social Democrats have implemented cutbacks. It is more difficult for the SAP to convincingly argue that the mentioned proposals will dismantle the Swedish welfare state as they themselves lowered the replacement rates of the social insurance schemes to 75% in 1996. In particular it is difficult for the Social Democrats to criticise cutbacks in the sickness benefit.

Another major reason that the party today is seen as ‘softer’ than earlier is that it no longer seeks direct confrontation with Sweden’s largest union, LO, the

federation of blue-collar workers. The new party leadership states that the Swedish labour market is functioning well if evaluated from a pragmatic starting-point and in terms of effects. In the 1980s and 1990s, the party instead analysed the labour market from a theoretical starting-point: a neo-classical/monetarist micro-economic analysis of the institutions (interview Borg).

The welfare state expansion during the 1950s and 1960s often put Moderaterna in a situation where it had to accept welfare expansion once it had been implemented. In the 2000s, the party finds new opportunities because of the cutbacks that were implemented by the Social Democrats. The party has to stay away from radical rhetoric similar to the one of the 1980s, but as long as it does the party is much more difficult for the Social Democrats to attack than it used to be.

Another indication of the restrictions that the existing welfare state poses for Moderaterna is the statement of the party's chief economist (now Minister of Finance): "All proposals should be possible to implement during the first hundred days after a bourgeois government takes power" (interview Borg/our translation). In reality this means that *only incremental reforms are possible*. The parliamentary majority is in control of the Royal Commission institute, i.e. of the capacity to study the potential problems new legislation might face, e.g. existing legislation and perverse effects. But if a new bourgeois government wants to go into the election campaign 2010 with a record of successfully implemented reforms, it cannot await the results of commissions, it needs to act directly during its first couple of months in power. The consequence however is that proposals need to take existing arrangements as its' starting point and suggest incremental reform.

In many ways, this seems to be one of the major differences between Moderaterna today and the party during the 1990s. The party, at least in its more ideological statements, used to take a very theoretical starting point (cf. Barrling

2004). The question used to be “What type of (welfare) arrangements would economic theory suggest?” This way of thinking starts from a tabula rasa and constructs an ‘ideal’ system (irrespective of empirical context). According to Borg, the party today starts from what it conceives to be problematic with the actual situation in Sweden and tries to ‘patch’ one problem after the other (piece-mal engineering). Faith in theoretical models is much smaller than it was around 1990 when the party included expected dynamic effects of tax cuts and productivity gains from private competition in the production of welfare services in its budget proposals (interview Borg).

But apart from that, there are some indications that the new leadership does not want to change the existing welfare state in a fundamental way (i.e. towards a more liberal welfare state with more means-testing and private insurance schemes). In the interview, Borg explicitly denounces an expansion of means-tested benefits on the grounds of their tendency to create poverty-traps. The ambition is to increase the incentives to work and means-tested benefits are not helpful in this regard. Regarding private-insurance he goes as far as suggesting legislation to stop private/occupational insurance from reducing self-risks, e.g. private insurance that compensates for waiting days in the public scheme. The political conflict with the Social Democrats regarding the social insurance is not really about the fundamentals like ‘universalism’, but is rather on how big the self-risk should be for the insured. Moderaterna wants to increase the – or as they see it rather create a – difference between income from working and living on a benefit, particularly for low-income workers. Both their tax-cuts and their cutbacks have this profile (interview Borg). If their analysis is correct and these reforms will in fact increase employment, the effect on the budget is two-fold: tax-income will rise and social expenditure will decrease and this just in time for the next election campaign.

To sum up, there are strong indications that Moderaterna in 2006 acknowledges structural limitations to welfare reform. Voters did not find

radical tax cuts credible nor did they believe that cutbacks on local governments could be implemented without serious repercussions on health care and schools. The party has therefore adjusted its policies accordingly. Furthermore, now that the election in 2006 has been won, the party needs its proposals to be implemented very soon in order to have a chance to win the election in 2010. This by necessity means that reform proposals are incremental rather than fundamental. But it is also questionable that the party – at least in the short run – *wants* to make fundamental reform. The focus is on lowering replacement rates, not on means-testing benefits or on replacing social insurance with private insurance.

The new party leader explicitly denounces suggestions that the new policies were inspired by international examples and points to the party's own ideological history as the inspiration (Reinfeldt 2005). It is difficult to know how much weight to give this statement. The speech at the party congress is largely a defence of the changes to meet potential critique from party activists and giving reference to the party's history nicely fits that objective. It would also be surprising if the new leadership did not analyse the electoral success of the Danish 'neo-liberal' party (Venstre). When the communications manager mentions "tax-stop" (skattestopp) in an interview, it also suggests that this influence exists, since this has been the Danish buzzword, but is a foreign word to the Swedish debate (Schlingmann in Wiklund 2006). This mechanism where the popularity of the 'universal' welfare state creates a pressure on Conservative parties to promise that the welfare state is safe in their hands should be expected to be important in all the Scandinavian countries and probably in many of the Continental countries as well.

The political implication of our analysis is that the resilience of the comprehensive welfare state is even stronger than the power-resource approach suggests. The Swedish 'neo-liberal' party has a restricted room of manoeuvre. However, that said it also needs to be added that there seems to be a political

agreement that the Swedish welfare state's expansionary phase is more or less over. If the political right has come to the conclusion that the welfare state cannot be dismantled, the political left also is puzzling on how to finance the existing obligations rather than looking for new social problems that the public sector should solve (SOU 2003:123). During the electoral campaign in 2006, these issues were not very prominent on the political agenda, but they will return once the election is over. The ageing population points to a future of permanent austerity for the welfare state.

8 Conclusion

This article addresses the debate in welfare research regarding the importance of political partisanship. We argue that the importance has declined in the context of 'universal' welfare states. There are strong theoretical reasons to believe that bourgeois parties' preferences have changed over time as the preferences of important segments of the electorate changed. Our study of the proposals made by Moderaterna regarding the sickness and unemployment benefit clearly shows an acceptance of the principle that the benefits should be earnings-related, but there is a remaining conflict with the Social Democrats regarding the replacement *levels*.

We offer a more incrementalist understanding of politics than the power-resource approach, but this does not mean that politics becomes unimportant. Even if bourgeois parties adapt to changing policy structures, this does not necessarily imply that there is no conflict regarding the welfare state. There are probably always incremental conflicts, but the bulk of the 'universal' welfare state is beyond being questioned. If the argument is correct, then universal welfare states are even more stable than the power-resource thesis argues that they are (cf. Pierson 1994).

Our empirical findings do not confirm the stereotype that all Conservative parties inherently are more or less masked versions of Margaret Thatcher. The

comparison between the policy proposals of Moderaterna and the implemented legislation of the Conservative party in the United Kingdom during the 80s clearly shows this. What we instead find is a party with neo-liberal ideals that finds it very hard to translate its abstract ideology into actual policy proposals. Earlier analyses of the party's ideology have tended to overestimate the importance of neo-liberal ideology because of over-interpreting general and abstract statements in the party programme and/or because accepting the terms used by the political discussants of the time. The political conflict in Sweden has focused on replacement levels and on whether or not to allow private competition in producing welfare services; not on propositions fundamentally changing the welfare state.

Our results confirm the hypothesis that a welfare state affects the policy positions of the political actors. Moderaterna clearly adapted its proposals in order to win the election in 2006. At the same time, the party is able to "get away with" policy proposals more radical than it made during the 'neo-liberal' 1980s when its policy proposals actually were rather soft by today's standards. The policy context today is different from then because of the Social Democratic cutbacks of the 1990s.

Are the changes of the political platform for the election in 2006 earnest? Our answer/s is that: 1) yes, in the "short run" the party can only hope to achieve incremental changes and it recognizes this, but also that 2) no, in the "long run" the party does want to (gradually) change society. The latter does however not seem to imply a residual welfare state, but definitely an effort to lower taxes. Over time the party in its rhetoric and ideological statements has emphasized points 1 and 2 differently. These differences between the 1980s and 2006 should not conceal that the mechanism of welfare popularity largely remains the same. When it comes to actual policy proposals we therefore tend to find incremental changes only.

However, the argument stressing the path-dependent character of welfare institutions should not be taken too far. As already Pierson (1994) stressed, there is the possibility of blame-avoiding reforms and of ‘systemic’ reform. The former type is incremental, but the latter attempts to weaken the welfare states political support and therefore to open future opportunities to make welfare reform. An argument can be made that the current government’s changes of the unemployment benefit has exactly this character: 1) The decreased subsidies of the benefit makes it more expensive and may therefore lower incentives to be members of the scheme and/or of unions. 2) Reducing the maximum benefit may decrease the middle-class’ interest in the public scheme and make it more vulnerable in the future. Another explanation is however also quite plausible: The government needs to finance its tax-cuts and it uses methods to decrease spending that the Social Democratic governments before it used as well (Anderson 2001, Lindbom 2005). The two explanations are in fact not exclusionary, it is rather plausible that the bourgeois government needs to collect the money and that it found this way of doing so particularly enticing.

The ‘universal’ welfare state is highly resilient to fundamental change in the foreseeable future. In the long run more dramatic changes may occur. But just as it took decades to build the current welfare state, it will probably take decades to fundamentally restructure it.

Endnotes

¹ Kitschelt (2001) argues that it is not the strength of social democratic parties per se that impedes social policy retrenchment, but a situation where competition is situated primarily on a socio-cultural dimension and when all major parties are credible defenders of the welfare state, e.g. Germany.

² The unemployment level was much lower in the 1980s than in 2006 and therefore it can be argued that the problem pressure was much lower. A highly ideological neo-liberal party

should not need such excuses to make cutbacks though. And in the sickness benefit, there was a significant pressure already in the 1980s (Försäkringskassornas Riksförbund, 2004, s. 68).

³ There were fairly big ideological differences within the party. In the late 1980s, radical forces within the party (mainly the youth organization) wanted to dissolve the universal health insurance, but the majority within the party supported the existing ‘solidaristic’ financing of the scheme (Nilsson 2003, p. 66 f.).

⁴ A few years later the Moderate party had adjusted its proposal slightly. The replacement rate would be 80% the first three months of sickness absence, then it would be *raised* to 90% (Motion 1987/88: Fi223). This clearly is generous compared to the system in place in 2006.

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