

FLAWED SINCE CONCEPTION: AUTHORITARIAN LEGACIES UNDER DEMOCRACY

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Note: This includes a brief summary of the argument from Chapter 2 along with the main chapter for discussion, Chapter 6.

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CHAPTER 2. ELITES AND THE CAUSES AND CONSEQUENCES OF DEMOCRACY

.... Summarizing Our Key Theoretical Predictions for Regime Outcomes

In this section we summarize our theoretical framework, discuss causal mechanisms, and tender key predictions for regime outcomes that will be empirically tested in Chapter 4. Table 2.1 displays the theory's predicted outcomes on the basis of how structural underpinnings and proximate factors operate on the key actors. It also gives readers a sense of the mechanisms at work behind the predictions outlined above.

The table begins on the lefthand side with how the presence or absence of proximate factors that can destabilize dictatorship impact incumbent economic elites and outsider economic elites. When proximate factors are present, this weakens incumbent economic elites and strengthens outsider economic elites. By contrast, when they are absent, incumbent economic elites can enrich themselves without a serious threat, entrenching their power. But the absence of proximate factors has an indeterminate effect on outsider economic elites. In some circumstances, secular changes in the economy cultivate a stronger outsider economic elite. By contrast, the strength of outsiders may also wane if their economic opportunities and fortunes are choked off by their incumbent economic elite rivals.

Moving to the right, Table 2.1 then outlines the ways in which the presence or absence of structural underpinnings – legislatures and strong state institutions – condition how the key actors interact in light of the proximate factors. These interactions, in turn, produce the key outcomes of interest: elite biased democracy, consolidated dictatorship, popular democracy, and volatile dictatorship.

In the first row, structural underpinnings support an exit to democracy spearheaded by elites when a proximate factor unsettles dictatorship and generates a threat by outsider economic

elites. In the second row, structural underpinnings support consolidated dictatorship as incumbent political elites and their economic allies team up to repress outsider economic elites and the masses. *Ceteris paribus*, these latter actors are relatively disadvantaged in the absence of destabilizing shocks to the regime. In the third row, proximate factors again unsettle dictatorship, but authoritarian elites do not have structural factors that could support dictatorship on their side. In this case, outsider economic elites and the masses team up to topple dictatorship and impose a popular democracy. Finally, in row four, proximate factors that destabilize dictatorship and structural factors that could underpin it are both absent. Dictatorship is unlikely to give way to democracy, but it is also unstable as political and economic elites class. Volatile dictatorship ensues.

How Our Theory Relates to Longstanding Theories of Democratization

Some of the structural factors that have long been highlighted in the literature as being favorable to democracy parallel the logic implied by our framework. Take modernization theory: the argument that wealthier, and by the same token, more urbanized and educated, nations are more likely to transition to democracy. We agree with this notion in principle, but propose a different causal channel. Rather than operating directly on the likelihood of transition through the presence of a middle class or a more educated populace, wealth is usually tied to infrastructural capacity and state strength, and a subset of institutions and practices associated with these transformations can enable an authoritarian regime to more predictably orchestrate and subsequently manage a transition favorable to their interests.

Indeed, this may help explain why the empirical evidence for modernization theory has hitherto been mixed (see Acemoglu et al. 2008). To the extent that modernization matters for democratization, it is by enabling incumbent political and economic elites to coordinate for a

favorable transition from dictatorship, and endowing them with the tools to realize it. There may not be a strong correlation between income per capita (or urbanization and education) and transitions to popular democracy, however. That is because it is not necessarily the case that the structural factors we outlined above allow a combination of outsider economic elites and the masses to coordinate to oust an autocratic regime. Indeed, as we will discuss further below, mass revolutions that usher in democracies unbiased by elites have happened in many poor countries including the Philippines, Nicaragua, Mongolia, and some Eastern European countries after the fall of the Iron Curtain. One possible reason for this is that incumbent elites were simply not able to get their act together and head off a movement to democracy from below: they lacked the administrative and legislative infrastructure necessary to exit on terms favorable to their interests.

There is also mixed evidence on another structural factor mattering for democratization that has been widely highlighted in the literature: economic inequality (see also Albertus and Menaldo 2012c). Our theoretical framework can help make sense of the fact that the correlation between the distribution of income and democratization is, at best, weak. Economic inequality in our framework is irrelevant for elite-biased transitions; it does not impact the administrative and legislative infrastructure that is key to allowing elites to exit on terms favorable to their interests; moreover, as we will discuss below, the incumbent political elites and the plutocrats that support them are usually motivated to bail out of dictatorship when they are threatened by economic rivals in a different economic sector, not a different economic class.

Economic inequality is more important, at least in theory, for transitions to popular democracy, given that it can fuel strong demands for redistribution that can be effected via representation. However, the chief obstacles to such transitions – and formidable ones at that –

are barriers to collective action. Solving the collective action problem among the masses, however, is not strongly tied to inequality. Instead, it may be more closely tied to international diffusion effects or domestic technological changes – proximate rather than structural factors highlighted in the literature on democratization.

Our predictions regarding a null relationship between economic inequality and democratic transition does not imply that our theory is agnostic about distributive outcomes after democratization, however. While the exit from dictatorship to elite-biased democracy is usually about the fear of one sector of the economy losing its privileged position to a rising, rival sector, and is therefore not driven by the distribution of income or wealth per se, once democracy is instituted the economic elite that monopolized economic policy under the previous dictatorship will have to grapple with the masses that have been granted a political voice. Economic elites will therefore want to block vertical redistribution in the form of progressive taxes and transfers. They will also want to block rival economic groups from getting their say over economic affairs. Economic elites will block reforms that would limit their rents; they will uphold barriers to entry, allow for cartels and conglomerates to suppress competition, and will defend policies that confer them with cheap credit, favorable subsidies and tariffs, and tax breaks and light regulation.

PUBLIC POLICY AND INSTITUTIONAL CONSEQUENCES OF DIFFERENT TYPES OF DEMOCRACIES

Given our discussion about the dramatically different origins of elite biased democracy versus its popular counterpart, it should not be surprising that these types of democracy favor fundamentally different actors in their basic institutions, governance, public policies, transitional justice decisions, and distributional outcomes. All of our actors should expect to have differing fates under these two distinct regime types.

Governance Outcomes

In terms of governance under democracies that inherit constitutions from their autocratic predecessors, we expect that these regimes will be less pluralistic, inclusive, and representative than popular democracies with their own constitutions. The reason is that the median voter will not be as politically empowered and faithfully represented in an elite biased democracy as in a popular democracy. Instead, the previous political incumbents and their economic allies will carve out entire policy domains for themselves, ushering in laws and regulations that protect their rights and interests. As a result, the masses will get the short end of the stick. In the next two chapters, we outline the means by which this has been accomplished across places and time.

Fiscal and Material Outcomes

In terms of the fiscal and material outcomes under elite biased democracy, we expect an increase in redistribution from economic elites to the masses after democratization *only* when an incoming democratic regime overturns the old order by writing a new constitution that empowers the majority. Under these circumstances, democracy will be redistributive because it faithfully represents the preferences of the median voter. Yet when former authoritarian political and economic elites remain strong under democracy, because they have been able to impose a constitution before exiting the outgoing dictatorship, the subsequent elite biased democracy will be less redistributive than it would have been under popular democracy. In some cases, it may even be less redistributive than under the previous autocratic period – especially if it prevents the chances of a populist dictator arising.

Table 2.1. Theoretical Mechanics and Key Predictions

Presence of proximate factors that destabilize dictatorship	Impact of proximate factors on strength of incumbent economic elite	Impact of Proximate factors on strength of outsider economic elite	Presence of structural underpinnings	Economic elite interaction with political elites and masses	Outcome
Proximate factors active (e.g., natural disaster)	Weakens	Strengthens	Structural underpinnings present (e.g., legislatures and strong bureaucracies)	Coordination between incumbent economic elite & political incumbents to exit due to fear of being eclipsed by outsider economic elites	<i>Elite-biased democracy</i>
Proximate factors inactive	Strengthens	Indeterminate		Incumbent economic elites team up with political incumbents to neglect or repress outsider economic elites & the masses	<i>Consolidated Dictatorship</i>
Proximate factors active (revolution, economic crisis, currency or debt crisis)	Weakens	Strengthens	No structural underpinnings present	Coordination between outsider economic elite & the masses to overthrow political & economic incumbents	<i>Popular democracy</i>
Proximate factors inactive	Strengthens	Indeterminate		Creates possibility for betrayal of incumbent economic elites by political incumbents and opening for masses to be recruited	<i>Volatile Dictatorship</i>

Table 2.2. Distributional Consequences Under Different Regime Outcomes

		Proximate factors that destabilize dictatorship active	
		Yes	No
Presence of structural underpinnings	Yes	Crony capitalism and inequality under elite biased democracy	Crony capitalism under consolidated dictatorship
	No	Social safety nets and egalitarianism under popular democracy	Chronic underdevelopment and swings between different sectoral winners and losers under volatile dictatorship

CHAPTER 6: SWEDEN: FROM AGRARIAN OLIGARCHY TO PROGRESSIVE DEMOCRACY

Sweden is one of the world's most egalitarian countries. On some counts, it is the most egalitarian. Its major political parties agree on the importance and goals of its welfare state, which is perhaps the most generous in the world. In Sweden there is broad consensus that the state should help secure an individual's rights to a job, a place to live, and an education. Aggressive redistribution is the warp and woof of this system. It is based on social spending and direct transfers such as old age pensions, family allowances, health insurance, and housing subsidies.

Some international comparisons can help to throw Swedish exceptionalism into high relief.¹ Between 2000 and 2010, the top decile's share of total income in Sweden was less than 30 percent. In the United States, by contrast, the top decile's share was between 45 and 50 percent. Similarly, in Britain it was 40 percent. Other relatively egalitarian countries besides Sweden include France and Germany, where the top decile's share of total income was around 35 percent.²

In terms of the Gini coefficient, in 2004 Sweden had the second lowest score in the Luxembourg Income Survey (LIS) after taxes and transfers, 23.7, after Denmark's 22.8. While countries with middling levels of inequality in that dataset include Finland, the Netherlands, Switzerland, Germany, France, and Hungary, countries with the highest scores, registering near or above 50, include the United States, Italy, Israel, Mexico, Brazil, and Colombia.

Unsurprisingly, Sweden is one of the most redistributive countries in the world. According to the 2004 LIS, the difference between its market income inequality and post-taxes

¹ These figures are from Piketty (2014, 230).

² The figures in the following two paragraphs are from Wang and Caminada (2011).

and transfer inequality was 20.5 point, implying that the country's strong social safety net is responsible for a large share of its egalitarian profile. Only five countries were more redistributive than Sweden that year, with Belgium as the most. Similarly, only three countries have a greater amount of social transfers than Sweden. Countries such as Mexico, Guatemala, Colombia, Korea, and Taiwan are among the least redistributive—and their social transfers are particularly muted.

The middle class also fares relatively well in Sweden.³ In 2010, median disposable income was \$15,000 (US dollars). Median per capita income was \$18,700 in the United States that year. More importantly, Sweden has recently recorded greater improvements for the middle class than other OECD countries on the back of respectable growth rates. “Even with a large welfare state in Sweden, per capita GDP there has grown more quickly than in the United States over almost any extended recent period—a decade, 20 years, 30 years. Sharp increases in the number of college graduates in Sweden, allowing for the growth of high-skill jobs, has played an important role” (Leonhardt and Quealy 2014).

Finally, Sweden is an upwardly mobile society. The country's intergenerational correlation of education and earned incomes, a way of measuring the reproduction of skill hierarchy over spans of time, is exceedingly low, noticeably lower than in France and Germany (see Piketty 2014, 339). Meanwhile, the United States' correlation coefficient is two-thirds greater than Sweden's.

Swedish exceptionalism is impressive. What explains it? Conventional wisdom states that Sweden is egalitarian today because it has always been egalitarian. Some variants of this

³ These figures are from Leonhardt and Quealy (2014), who draw on the latest LIS. They are in 2014 dollars and are adjusted for purchasing power parity.

explanation stress the uniqueness of its rural structure (see Tilly 1992). Others stress the fact that employers and employees have a long history of harmony and consensus building and have tended to agree on the need to invest in strong vocational education and social insurance to create a productive workforce centered on high value added exports (see Iversen and Soskice 2006).

Hitherto, this conventional wisdom has been challenged in subtle ways. A few scholars have pointed out that Sweden's radical egalitarianism may be a more recent phenomenon (see Congleton 2003, iv; Lodin 2011, 32). The Swedish state was relatively small in the aftermath of World War II and beyond—with a smaller public sector than Great Britain—and the country's social safety net was not all that remarkable (Congleton 2003, iv). This meant that Sweden was a relatively low tax state; its tax burden was similar to other OECD countries, if not lower. Indeed, in 1960 it was almost identical to that of the United States (Lodin 2011, 36).

If we go back further in time, the idea that Sweden has always been equal becomes even harder to accept.⁴ Between 1900 and 1910, the concentration of wealth in Sweden equaled that of France and Britain. Indeed, Sweden's wealth concentration was higher than the concentration of wealth in the United States around this time. And even when the concentration of wealth in Sweden among the top 10 percent began to diminish after World War I, the benefits accrued mostly to the middle 40 percent of the wealth distribution. The same can be said about income inequality during the 1900 to 1910 period. Sweden was more unequal than several European countries around this time. For example, the share of total income held by the top centile was 25 percent and exceeded that observed in Britain and Germany.

If Sweden was not all that equal in the aftermath of World War I, or even World War II for that matter, then when did the country change course? Figures 6.1a to 6.1c help identify the

⁴ The following facts are from Piketty (2014, pp. 245-6; 418-425).

timing of Sweden's sudden and drastic transformation from a quite unequal country to a paragon of egalitarianism. Figure 6.1a graphs market, or pre-tax and transfer, income inequality. It reveals a steep decline in market inequality that began in the late 1960s but really accelerated after 1970. Figure 6.1b does the same for post-tax and transfer inequality. It records a steep and steady decline in post market inequality that began after 1970. Figure 6.1c graphs total redistribution: the difference between post-tax and transfer inequality (Figure 6.1a) and pre-tax and transfer inequality (Figure 6.1b). It confirms the basic pattern: egalitarianism really began in earnest in the early 1970s. Figure 6.1c also reconciles the fact that, although market inequality did increase somewhat in the 1990s and 2000s, this did *not* lead to greater overall inequality. Redistributive taxes and transfers offset the increase in market inequality. In short, Swedish exceptionalism is a relatively recent phenomenon.

Why did the onset of this change occur only as late as 1970? Why did explicit redistribution, social insurance, and social spending play such a prominent role in bringing this development about? The answer, consistent with this book's theoretical framework, is that popular democracy finally and definitively replaced elite biased democracy after 1970. For centuries before that, Sweden had a relatively feudal political structure, in that a monarchy presided over a parliament in which four estates, which permanently represented the nobility, merchants, peasants, and the church, codified a stratified economic and social order. In essence, large landowners ruled in cahoots with the crown.

While Sweden became more "constitutional" and less "feudal" over time, old and new elements of the upper class allied themselves with the king and found ways to secure political supremacy. They gained over-representation in the parliament and imposed restrictions on the franchise. Despite the impressive march of liberalism and socialism in Sweden on the heels of

industrialization, urbanization, and modernization, holdover political institutions endowed the gentry and inefficient oligopolists with greater influence than meets the eye. They maintained disproportional sway over Swedish politics deep into the 20th Century.

Eventually, however, incumbent economic elites' hegemony weakened. Popular democracy, which had made gradual inroads since the country's 1911 democratic transition, became full-fledged in 1970, when Sweden's indirectly elected upper house was dissolved. In the rest of this chapter we argue that this, along with other constitutional changes that occurred in the early 1970s, is the reason why redistribution exploded after 1970 and inequality declined. This pattern continued into the 1980s and the first part of the 1990s, as the Social Democrats delivered on promises for a more robust welfare state and equitable society.

In short, the Swedish state began a dramatic, almost unparalleled, effort to decrease inequality in all its forms beginning around 1970. This was the result of its transition from elite biased to popular democracy. The decade between 1970 and 1980 evinces a particularly muscular effort by a newly empowered Social Democratic Party to equalize social outcomes and, despite considerable stumbles associated with globalization thereafter, an enduring one. We now turn to telling this story in detail: to describe and explain how Sweden transitioned from an elite biased democracy to a more popular version.

INCUMBENT ECONOMIC ELITES UNDER DICTATORSHIP

Sweden originates as a small kingdom in the 14th Century, the byproduct of the merger of several smaller kingdoms. Through imperial acquisition it grew much larger in the following centuries. The country reached its territorial peak in the 17th Century, growing to encompass

lands in Germany, Poland, the Baltics, Finland, and Russia. It later shrunk considerably after losing several wars.⁵

Sweden was a constitutional monarchy that veered between parliamentary parity and absolutism between the 17th and 19th Centuries. During that time, the monarchy was allied with two ostensibly distinct set of economic elites.⁶

The first was the landed nobility. They were formally represented in the royal council that advised the King and had a permanent presence in the parliament as one of four estates. The landed nobility was the largest and strongest group in Sweden's so-called feudal parliament. By the middle of the 1600s, they owned two-thirds of the farmland in Sweden and Finland (Metcalf 1987, 103)—Finland was part of Sweden at the time. Over the ensuing centuries, they remained a powerful group in Swedish society, partially because “primogeniture was in force until the end of the nineteenth century, and some entails on large dynastic fortunes in Sweden persist to this day” (Piketty 420, f.n. 27). As we shall see shortly, this was also because of their over-representation in the legislature during the monarchical period and shrewd constitutional manipulations in the run-up to democratization.

⁵ Finland broke away after Russian occupation in the early 19th Century. Norway came under Swedish political control, especially in regards to its foreign policy, and only obtained independence in the early 20th Century.

⁶ For example, during the so-called Age of Liberty, which lasted between 1720 and 1770, Sweden's parliament exercised dominance over the king, although the monarch retained formal executive control and exercised leverage over parliament by controlling the bureaucracy. Between 1770 and 1810, it was the other way around, with Sweden veering towards absolutism in conjunction with its participation in several international wars. During the rest of the 19th Century, and before Swedish democratization in 1914, on the back of the extension of the franchise in 1909, both the monarchy and parliament were roughly balanced.

During the 19th Century, large landowners supported tariffs on imported grain. They favored protectionism and nationalism. They decried the emigration of farmers from Sweden to the United States and to urban cities, which they blamed on free trade.⁷

The second group of incumbent economic elites were government granted and enforced monopolies, including guilds, and a nascent manufacturing sector that was protected by tariffs and other subsidies (Congleton 2011, 383). Some of these privileged industrial firms came into existence as early as the 1600s. Others emerged in the 1700s, represented most prominently by the Swedish East India Company in 1731, which was awarded a monopoly on trade with the Far East that was accompanied by government subsidies for the manufacturers of luxuries such as porcelain and silk. The Swedish Parliament, the Riksdag, was able to prop up these incumbent economic elites by directing credit to nascent industries through its influence over the Bank of Sweden. Most of the bankrollers of these new, government-coddled ventures were themselves nobles, so that nominally distinct incumbent economic elites—the landed nobility versus industrialists—were really one in the same (Metcalf 1987, 111).

Finally, incumbent economic elite also included industries that had at first favored liberal reforms in the 19th Century, often including free trade, but came to rely on government support. “Antiliberal arguments were taken up by many industrialists who had previously favored the liberal reform agenda but profited from protectionist measures in the late nineteenth and early twentieth centuries. For example, Swedish cartels in sugar, milling, and oleomargarine were able

⁷ Eventually, this group allied with the Farmers’ Party, which also represented smaller farmers and grew to oppose free trade because imports from Russia and North America had led to a drastic plummeting of prices for Swedish farm products. Along with landed aristocrats, the farmer’s party sought to prevent full enfranchisement because it was slated to adulterate the political power of landholders from rural districts (Congleton 2011, 397).

to obtain significant (and profitable) protective tariffs in the early 20th Century” (Congleton 2011, 396 citing Heckscher 1954, 263).

As anticipated by our theoretical framework (Chapter 2), the relationship between the Swedish monarchs and their incumbent economic elites was not always rock solid, however. For example, in the late 1600s, Karly XI struck against many noble families and expropriated their lands and stripped them of the noble titles. The king also elevated new nobles into positions of greater authority (e.g., awarding seats in the noble chamber of parliament) from the ranks of the military and bureaucracy (Congleton 2011, 376). This inflation of titles devalued the political and economic status of extant landholders. Eventually, in the late 18th Century, due to a strong fiscal crisis precipitated by Sweden’s participation in international wars, the nobility was heavily taxed for the first time in Swedish history via a tax on estates. In 1789, the king abolished noble privileges without the consent of the noble chamber in parliament (Congleton 2011, f.n. 19). Later, in the early 20th Century, progressive taxes on income, wealth, and inheritance would be introduced to help defray the costs of increases in defense spending in the wake of World War I.

The Swedish nobility also had to contend with a rapidly industrializing and urbanizing country and agitation from all corners of society for liberalization and greater democracy. The rise of “the gentry, large parts of the clergy, the upper strata of the bourgeoisie, and the growing ranks of non-noble persons of standing who were not in the Riksdag” (Metcalf 1987) eventually represented a threat to the nobility’s vested interests. However, luckily for them the nobility was able to team up with different groups in parliament to vouchsafe their rights and interests and use constitutional engineering to over-represent themselves politically.

Incumbent Economic Elites use Parliament to Protect their Interests

The early kingdom of Sweden, Finland, and Norway had parliaments (*tins*) that met at regular intervals to address judicial and legislative issues and select their ruler (Congleton 2011, 370). The kingdom had a Magna Carta-like event in 1319, in which the Swedish elite attempted to constrain the powers of the monarch. This was followed by the establishment of a permanent royal council composed of nobles. Assemblies were subsequently called on a frequent basis to settle matters of taxation and royal succession. Eventually, the parliament began to meet more regularly as formal gatherings of four estates: the nobles, burghers (town leaders), clerics, and peasants (non-noble landlords).

Over time, parliament became more powerful, allowing the elites to defend their interests by constraining the monarchs. In 1617, the Riksdag Act circumscribed the King's powers and gave greater authority to parliament over taxes and warrmaking; in the 1650s and 1660s parliament became more independent, met more regularly, and secured veto power over new laws. During the so-called Age of Liberty, which lasted until 1770, Sweden's parliament exercised dominance over the king.⁸

Throughout the consolidation of Sweden's constitutional monarchy, the incumbent economic elites solidified their status as on par with the crown, despite the fact that the nobility was composed of only one half of one percent of the population (Metcalf 1987, 110). While the nobles had the largest and most influential parliamentary chamber, voting for the Riksdag's other three chambers was indirect and heavily weighted by wealth.⁹ Moreover, the Conservative Party

⁸ The monarch retained formal executive control and exercised leverage over parliament by controlling the bureaucracy, however (Congleton 2011, p. 377). Indeed, many historians contend that Sweden's monarchy was absolutist between the late 1600s and 1720, when the Riksdag was considerably weakened.

⁹ The burgher chamber was selected by town councils (resident burghers who paid taxes with voting weighted by their tax contributions) and most often their elected representatives were the

faithfully represented landowners and other business interests and successfully fought back many attempts to curtail the power of the nobility and the system of privileges that gave large landowners a lock on Swedish civil, military, and economic affairs (Metcalf 1987, 144). Therefore, during most of the authoritarian period, the landed nobility was able to minimize its tax burden, despite Sweden's participation in several wars.

This is not to say that the crown was the perfect agent of the economic elite. The country's constitutional monarchy nurtured and processed several political struggles.¹⁰ Estates were pitted against each other on issues that included "the structure of the Riksdag, the distribution of power among the branches of government, the freedom of the press, education, public insight into the state administration, and the liberalization of the economy" (Metcalf 1987, 182).

Liberal ideology and administrative, civil, and economic reforms continued apace during the 19th Century, leading to Sweden's modernization, and putting it on par with other European countries. Most importantly, an enclosure movement ushered in a uniform property rights system, Swedish laborers gained the right to work wherever they pleased, and a national railroad system and deregulation helped create a common national market. Continuing into the 20th Century, the economic elites ostensibly allied to the crown faced other threats from society,

town mayors. The peasant chamber representatives were appointed by local county governments (members of which owned land and were independent, with votes weighted by land holdings).

¹⁰ Between 1770 and 1810, Sweden veered towards absolutism again, in conjunction with its participation in several international wars. In 1772, under King Gustav III, a new constitution was foisted on the parliament backed by the threat of force. It renewed the king's power to call and dismiss parliament and regained ability to appoint members of the council of state. Gustav then rammed through other constitutional reforms that bequeathed him with even greater power at the expense of the parliament, including the nobility.

including the rise of outsider economic elites and populist movements that sought to renew efforts to end their privileges and usher in a more democratic political system.

However, on balance, the incumbent economic elites were able to use their political might to steer new policies in directions that benefited them.¹¹ Indeed, even when conservative forces suffered political losses, they later recuperated and strengthened their grip over policy. A good example of this, and which we will return to ahead, is the advent of free trade in the 1850s. Free trade proved to be a short-lived experiment; important agriculturalists and industrialists, especially textile manufacturers, were able to re-impose tariffs during the 1880s.

The relative success of the incumbent economic elite under Sweden's autocracy is readily apparent in the numbers on capital and income inequality during the 1900–1910 decade.¹² The richest 10 percent controlled most of the country's wealth: the proportion that the upper decile owned was about 90 percent. Indeed, while the wealthiest 1 percent controlled over 50 percent of Sweden's assets, the poorest 50 percent held less than 5 percent. In terms of income inequality, the top decile's proportion was over 45 percent of total income, compared with 40 percent in the United States at the time. And the top centile's proportion of total income exceeded 20 percent. In short, Sweden was an exceedingly unequal country.

THE RISE OF OUTSIDER ECONOMIC ELITES

During the 1850s and 1860s, rapid industrialization occurred in Sweden. This coincided with the rise of liberal ideology and the political strengthening of liberal forces, who gradually became organized as disciplined political parties and movements (Congleton 2011, 386). Copper and iron industries grew more rapidly as industrial applications developed. Other industries

¹¹This sometimes meant that monarchs sided with liberal causes. For example, Oscar I, who ruled from 1844 to 1859, was strongly influenced by liberalism (Metcalf 1987, 184-88).

¹² All of the figures that follow are from Piketty (2014).

included more modern timber and banking industries, as well as railroads, paper, explosives, matches, chemicals, and telephones. None of these industries relied on explicit government support or subsidies.

The owners of the firms operating in these new sectors did not have representation in the Riksdag. Therefore, these segments of the rising outsider economic elite, as well as senior civil servants, created their own political organizations, including the National Economic Society in 1877 (Congleton 2011, 395; Heckscher 1954, 263). At the same time, the middle class and working class was gaining economic power and organizing politically, and often fought alongside commercial interests for free trade and other liberal causes.

Consistent with our theoretical framework in Chapter 2, the rise of Sweden's outsider economic elite, and their eventual political marriage with segments of the masses, was the result of multiple forces. It was partially exogenous—a byproduct of technological changes, the diffusion of liberal ideology, and the emergence of modern warfare demanding mass mobilization and conscription. The rise of the outsider economic elites was also partially endogenous: a result of the gradual evolution of the Swedish political system towards greater pluralism and liberalization. Consider that

[T]he liberal and labor movements advanced middle-class and working-class interests, two subpopulations that were rapidly expanding as a consequence of industrialization and increased commerce. The latter was partly a consequence of previous reforms, insofar as liberal economic reforms in the first half of the nineteenth-century Sweden (and elsewhere) had increased economic growth and development. Reducing economic privileges from the medieval period allowed new technologies to be adopted more rapidly and specialization to increase, which raised average income as predicted by most economic theories...These developments...reduced support for many long-standing medieval institutions. A variety of politically active groups inside and outside of government pressed for suffrage expansion and trade liberalization (Congleton 2011, 394).

Figure 6.2 graphs the evolution of the change in the relative importance of non-agricultural capital over recent Swedish history. It evinces that private wealth held as financial assets, defined as currency, deposits, bonds & loans (% GDP), exploded in the run up to democratization in 1911.

Changing technology, in particular, helps explain the huge wedge that opened up between conservatives (the incumbent economic elites) and the “liberals” who benefited from the reduction in transportation costs associated with the advent of steamships, and who could now exploit Swedish comparative advantages in mining, timber, and some manufactured products. These outsiders therefore sought to trade freely with the rest of the world on the heels of the repeal of trade tariffs during the middle of the 19th Century. The outsider economic elites came to include businesses and upper middle class liberals. Indeed, besides free trade they favored deregulation to increase market competition (Congleton 2011, 396).¹³ They eventually teamed up with the labor movement and ordinary citizens who favored more radical reforms, such as full suffrage and social insurance.

There were two broad-based political parties that separately took up the mantle of reform. The Liberal Coalition Party, led by Karl Staaff, was formed in the late 19th Century and began to spearhead concrete reforms to advance their progressive agenda. The liberals introduced bills broadening the franchise on an annual basis between 1890 and 1896.¹⁴ The Social Democrats,

¹³ Reforms sought by liberals also included educational liberalization, agitation for a free press, due process, and a separation of powers.

¹⁴ A formidable Swedish suffrage movement began in the 1760s on the back of the spread of Enlightenment ideology (Congleton 2011, 381; Metcalf 1987, 144). Later on, the New Liberal Society (Adolf Hedin) advocated for full enfranchisement. Some of the arguments these parties made in favor of broadening the franchise was to engender a more egalitarian social order. They also argued that it was the right thing to do in light of increased conscription of men as a means

founded in 1889, and led by Hjalmar Branting, teamed up with the Swedish labor movement, which was able to galvanize public opinion behind social causes and democracy and brought pressure to bear against the government by organizing strikes and public demonstrations. Besides universal suffrage, the Social Democrats favored limited work weeks, social insurance, and increased safety regulations.

Not to be outdone, a conservative prime minister, Erik Bostrom, began to float elite friendly proposals for franchise extension in 1896. While these primitive proposals were ultimately defeated, they received widespread support. In the proximate term, this proactive measure was a response to the rising prospects of the outsider economic elites amid increased agitation for democracy precipitated by the fact that increased military mobilization demanded ever greater sacrifices from ordinary citizens in the form of taxes and military service.

If we take a longer view, however, these overtures were the inevitable culmination of a century long bout of constitutional engineering that culminated in a more representative and inclusive government. This engineering was responsible for Sweden's inveterate inability to keep up with its European neighbors in the quest for both democracy and egalitarianism:

In international terms, suffrage reform came relatively late to Sweden, and it was tied to rather strong conservative guarantees, including a minimum voting age of 24, proportional representation, and the requirement that voters have paid taxes both to the state and the municipality. Not only did Sweden lag behind Denmark and Norway, but it also lagged behind Finland, where universal suffrage for men and women was established in 1906. Demands for female suffrage in Sweden were rejected not only by the Conservatives, but also by some Liberals, and especially those who lived in rural areas (Metcalf 1987, 215).

We will return to the details of this saga further below. Importantly, the oligarchic forces that held disproportional sway over Swedish politics since the 15th Century continued to cast a

for upgrading and modernizing the country's armed forces. The slogan coined by the Social Democratic Party, "one man, one vote, one rifle," embodied this sentiment (Lewin 1988, 67).

long shadow well after democratization due in large part to the legacy of the charter that ushered in its transition: the 1809 constitution. Before we elaborate on the 19th and early 20th century constitutional processes by which this shadow was cast, we first offer a synopsis of the politics of the struggle between incumbent economic elites and outsider economic elites over the 19th Century.

Reaction to Liberalization by Incumbent Economic Elite

The history of Sweden's liberalization is tied to the battle over trade. The advent of free trade in nineteenth century Sweden was detrimental to the incumbent economic elite. While agriculturalists were hurt by rising cereal imports from Russia and the United States, many domestic manufacturers could not compete with a flood of imported goods. The conservative cause therefore grew to encompass monopolists and cartels that had been created in the wake of industrialization (Congleton 2011, 395). Specifically, government-supported domestic industries that had been invited by the burgher estate to join the Riksdag in 1830 made common political cause with members of the nobility and wealthy farmers. These groups joined forces and directly lobbied the crown for help (Congleton 2011, 386).

As before, these insider economic elites could not always count on the monarchy to defend their interests, however. During the 19th Century, Swedish monarchs sometimes sided with the ascendant outsider economic elites: new industries in rising, export-oriented economic sectors (Congleton 2011, 387, f.n. 25, citing Grimberg 1935, 330-31). Indeed, by the middle of the 19th Century, advocates of free trade secured the full political support of the King. In the ensuing years, outsider economic elites' political patrons, the Liberals and Social Democrats, were able to successfully fend off many legislative attempts at protectionism in the Riksdag.

The incumbent economic elites patiently waited to exact their revenge. By the 1880s, agriculturalists and several industries allied with the crown clawed back free trade policies. In the late 1800s, tariffs pushed by landed elites, farmers, and some industrialists were imposed on wheat and rye, other foodstuffs, and industrial products. The monarchy switched its previous position and sided with protectionist forces, in part because tariffs turned out to be a lucrative source of revenues that could help defray the mounting costs of military expenditures – a reaction against the increasing “Russification” of Finland (see Metcalf 1987, 206-7).

Figure 6.3 supports the notion that this strategy was successful. It graphs the value of private wealth held as agricultural land (as % GDP). It clearly shows that, despite industrialization, the economic prowess of landed interests and associated agricultural activity intensified over the middle of the 19th Century.

In addition, political liberalization movements were met by counter-reactions by economic elites and other conservative forces who sought to increase the requirements for membership in the parliament and to over-represent elite interests. “Thanks to the tariff issue, the protectionist agrarians were suspicious of any expansion of the suffrage, since it was generally thought that any such expansion would benefit the free traders. The free traders, on the other hand, had a direct interest in lowering the threshold of requirements for voting...” (Metcalf 1987, 212).

During the long 19th Century, incumbent political and economic elites therefore attempted to steer increased political and economic liberalization, and eventually democracy, in a direction more propitious to themselves. They blocked or refashioned several political reforms aimed at increasing pluralism, inclusiveness, and egalitarianism—foremost among them campaigns for universal suffrage—usually through their control of the Senate and by securing

support from the king for their obstructionism. Agricultural interests, in particular, continued to defend themselves politically through their outsized influence on Swedish politics at least until the 1960s and 1970s, despite a steady decline in their economic fortunes (see Figure 6.3).

CONSTITUTIONAL ENGINEERING BY INCUMBENT ELITES

This section explores the tools and techniques used by Sweden's incumbent political elites and their economic allies to counteract rising challenges to their political and economic power over the 19th and early 20th Century. This enabled them to arrive at a democratic outcome on favorable terms. We explore the long neglected, yet canonical, bout of constitutional engineering that benefited elite forces, arresting Swedish egalitarianism until nearly the end of the 20th Century. The Instrument of Government of 1809 was the authoritarian constitution that Sweden's democracy ultimately inherited in 1914. It took decades of careful tweaking and dismantling to finally obtain popular democracy, which arrived definitively after the upper house was dissolved in 1970.

Sweden is considered to be an electoral democracy beginning in 1911. This is shortly after the broadening of the franchise in 1909, which was tantamount to full male suffrage.¹⁵ Yet, there is another way to think about Swedish democratization: it proceeded gradually, but strategically and inexorably, starting in 1809, as a project concocted by elites in order to benefit themselves.

The 1809 constitution was crucial to the incumbent economic elite and their political patrons for two reasons. First, it reestablished the political preeminence of the incumbent economic elites, returning them to equal footing with the monarchy. Later, it slowed the rise of the outsider economic elites, protecting the political and economic interests of the incumbent

¹⁵ The 1909 suffrage reform doubled the Swedish electorate from 9.5 to 19 percent of the population (Metcalf 1987, p. 215).

economic elite in the face of major changes wrought by industrialization, urbanization, and modernization.

Second, the constitution set the stage for several follow-up episodes of constitutional engineering over the 19th Century that blunted the impact of increased popular participation and demands for full suffrage. The most important was the creation of a bicameral legislature with elite biases and the adoption of proportional representation on the eve of franchise extension. In turn, these and similar machinations endowed incumbent economic elites with outsized political influence that endured after Sweden's democratization in 1911.

The 1809 document reestablished a constitutional monarchy after an absolutist interlude. It was foisted on Sweden's new monarch, Karl XIII, after a coup launched by the nobility and key military and civil officials against Gustav Adolf IV in protest against his absolutism and insistence on retaking Finland from the Russians (Metcalf 1987, 170). The constitution was the product of a constitutional convention that was headed by a committee of fifteen members: six nobles, three clergymen, three burghers, and three peasants. After two weeks of deliberations it was approved by the four estates and was adopted the same day that King Karl XIII ascended to the throne.

The constitution returned a balance of power that again put the Swedish parliament on equal footing with the crown and, by implication, ushered in a system that again favored the incumbent economic elites.¹⁶ The parliament continued to be based on the estate system and therefore contained the four traditional chambers: noble, clerical, town, and country. The 1809 charter introduced a system of royal succession and endowed parliament with veto authority over taxation and public budgets. Other constraints against the monarch included an obligation for the

¹⁶ Indeed, a key reason for the constitution was to prevent Gustav's heirs from serving as future monarchs in order to prevent yet another return of absolutism.

king to consult his cabinet and greater powers granted to legislators, including their ability to censure members of the king's cabinet. Harkening back to the "Age of Liberty," the 1809 charter also enjoined regular parliamentary meetings. Moreover, any amendments to the 1809 Constitution required approval both over two successive Riksdag sessions and majorities across all four estates.

Subsequent changes made the parliament even more powerful vis-à-vis the monarch. The Cabinet Act of 1840 gave ministers taken from the legislature formal authority over different aspects of government policy, explicitly demarcating them as forming part of the cabinet. The Riksdag Act of 1866 gave the parliament greater authority over taxation and public budgets.

Three main institutional tools were sharpened by monarchs and conservative politicians over the ensuing century to advantage incumbent political and economic elites and to stage-manage a democratic transition that would guarantee their continued influence thereafter. The first was the bicameral legislature. The second were elaborate restrictions on the franchise. The third was proportional representation.

Bicameralism

The Swedish Senate (first chamber) was the brainchild of Louis De Geer, the minister of justice and chancellor of the Riksdag. De Geer was a nobleman who was the son of a landowner with a foot in the world of heavy industry. The two chamber legislature replaced the four chamber "Medieval" legislature in 1866 via the Riksdag Act promulgated that year. While national electoral law replaced local level laws, the voting system continued to be weighted by wealth. The logic of the Senate was "to prevent narrow and hasty decisions and was to serve as a conservative check on the Second Chamber by providing stability and continuity (Metcalf 1987, 233)." Indeed, while "[h]e [De Geer] himself said that he wanted to put power 'in the hands of

the middle classes'...in reality he favored the aristocracy and wealthy groups, on the one hand, and the farmers, on the other" (Metcalf 1987, 191).

The impetus behind the bicameral legislature was to reform the basis of representation away from the estate system—based on fixed terms of office—on terms that were more felicitous to the incumbent economic elite. Eligibility for membership in the Senate was now based purely on wealth, rather than family heritage (nobility). These changes received wide support from the nobles, wealthy burghers, and non-noble industrialists, who could now obtain seats in parliament (Congleton 2011, 390).

The rules were as follows. The Senate had 125 members who had to be older than thirty-five and had to possess real estate with an assessed value of at least 80,000 riksdaler or receive an annual income subject to taxes of at least 4,000 riksdaler. This meant that only a tiny fraction of Swedish citizens was ultimately eligible for seats in the Senate. Indirect elections were held for the upper chamber: The Senate was elected by the county councils and city councils of Sweden's largest cities, and these councils were populated by well-to-do landowners and businessmen. Moreover, local voting rights were weighted by income and wealth. Specifically, the votes for the provincial councils were heavily weighted according to the amount of taxes they paid. Finally, while members served 9 year terms, a system of successive elections meant that only one-sixth of the Senate's members were elected in any given cycle. The Senate's low turnover prevented sharp changes of direction (Metcalf 1987, 237).

Taken together, these measures constrained pluralism and inclusiveness. Restrictions on membership and voting protected the voice of the wealthy and educated. "The weighted-voting system often allowed local elections to be determined by a handful of wealthy men or women. In

10 percent of the districts, the weighted votes of just three or four voters could be decisive”

(Congleton 2011, 388, citing Verney 1957, 91).

In describing the political ramifications, Lewin (1988, 55) writes that:

The 1866 rules gave the franchise to 5.5 percent of the Swedish population, or roughly 21 percent of all legally competent men. Only a few new people gained the right to vote during the next few decades due to inflation and rising salaries and wages...The First Chamber became even more dominated by high-born aristocrats and plutocrats than the Estate of Nobility before 1866 (Lewin 1988, 55).

Who ended up serving in the Senate besides landowners? Several businessmen and industrialists. It also contained many county governors and general directors of state agencies. These individuals tended to be more educated than the population as a whole, and from larger cities (Metcalf, 233). In short, the Senate continued, if not exacerbated, the system of acute political privileges enjoyed by the incumbent economic elite during the preceding estate system.

The conservative bias introduced by Sweden’s two chamber parliament is brought into sharp relief when compared to other European experiences. “One year before the North German Federation and Great Britain gave industrial workers the right to vote, and seventeen years after Denmark had adopted the principle of universal male suffrage, Sweden’s landowning classes were given a level of political influence that no longer fully corresponded to their relative position in the realities of Sweden’s social and economic life” (Metcalf 1987, 193).

Ultimately, the creation of the Senate also worked to align the interests of the older elite referred to above, noblemen whose status and wealth was based on landed estates, and industrialists who produced for the domestic market. It is therefore not surprising that the Senate repeatedly blocked reforms aimed at extending the franchise that emanated in the lower house (Lewin 1988, 63). As Lewin (1988, 69) writes,

[N]o matter what arguments the Left resorted to, it was unable to overcome the Right’s resistance to broader suffrage, not even after the Left had formed a government. A solid

Conservative majority in the First Chamber resisted every reform proposal, 'wisely slow in action but firm and strong in opposition.' These words from the 1809 constitutional committee described a reality that leftist demands for suffrage reform were unable to overcome for decades.

The existence of the Senate was unsurprisingly contentious after democratization, up until it was dissolved in 1970. The Social Democrats vociferously criticized it in the 1920s and 1930s, often targeting their ire at the successive system of elections because it favored non-socialists and especially the conservative party. Several prime ministers, cabinet members, and party leaders were members of the Senate, especially during the 1920s (Metcalf 1987, 236). Needless to say, conservatives fought steadfastly to preserve the Senate and its power, up until the bitter end (Metcalf 1987, 234).

Other Restrictions on the Franchise Over the 19th Century

The 1866 reforms to the 1809 Constitution also contained other measures that, in conjunction with indirect elections for the Senate, overrepresented the interests of incumbent economic elites. A supermajority was needed to pass major policy decisions. The voting age for elections to county councils and electoral colleges was 27 years. Most importantly, the lower house was also constructed with an eye towards protecting elite interests.

Although the creation of the lower house (the so-called second chamber) in 1866 was a concession to upper middle class farmers, burghers, and liberals, who favored broader suffrage and a reduced role for the nobility in the government, it also contained features friendly to conservative interests. While the elections for the lower house were to be direct, voter eligibility was restricted on the basis of wealth or income. Practically speaking, only around 20 percent of adult males had the right to vote for members of the lower house. The electorate consisted of successful farmers, bureaucrats, small businessmen, doctors, and lawyers (Congleton 2011, 389).

Large landowners represented in the lower house were against extending suffrage. They did not want their position in that body to shrink. They made arguments that they were a counterweight to anarchism, communism, and socialism (Lewin 1988, 56). Most importantly, they controlled the Constitutional Committee in the lower house that was charged with considering suffrage extensions and repeatedly blocked attempts throughout the late 19th Century and early 20th Century to extend the suffrage further (Lewin 1988, 58).

Proportional Representation

Despite the formidable obstacles to popular representation outlined above, by the turn of the 20th Century progressive political ideas had become mainstream, and many proposals for extending the franchise and electoral reform began to circulate in the lower house. By 1905, the Liberals and the Social Democrats held a majority of the seats in the lower house (Metcalf 1987, 214). Conservative forces were squarely on the defensive.

Conservatives headed by Saloman Lindman took power in 1907 after the resignation of the Liberal Party in the wake of its inability to pass liberalizing reforms, including increased suffrage.¹⁷ With the writing on the wall, Lindman decided to surrender to demands for increased suffrage upon taking power. Franchise extension was predicated on reducing property requirements for voting, which was slated to double the franchise from 500,000 to 1 million voters and was tantamount to nearly universal male suffrage. Lindman also sought to reduce the distortionary effects of the weighted voting scheme for selecting members of the Senate. Specifically, the maximum weighting of votes was reduced from 5,000 to 40. Moreover, the Senate's office term was reduced from 9 to 6 years and wealth requirements for seats in the first chamber were reduced from eighty thousand to fifty thousand krona.

¹⁷ Lindmann (1862-1935) was a successful industrialist before becoming a legislator. He served on the board of directors of several iron ore mining companies (Congleton 2003, 27, f.n. 22).

In line with previous bouts of constitutional engineering tailored to advance the interests of the incumbent economic elites, however, Lindman simultaneously proposed changing the electoral rules used to select district representatives in both legislative chambers to proportional representation (PR). The reason was clear. As we have already intimated, and as Lewin (1988, 70-1) eloquently states:

It could not be assumed that demands for universal manhood suffrage would continue to be defeated in Parliament. There were now too many people who supported such a reform. Sweden would soon be the only country in Europe that did not allow all adult men to vote. No, the introduction of universal manhood suffrage was certainly unavoidable. But could this process take place in a way less harmful to the Conservatives than by embracing the suffrage ideas of the Left? If such a solution could be found, it was better to act now, while the Conservatives were in government and could direct the political game...Democracy was on the doorstep. Even the Conservatives had to accept universal manhood suffrage. But the question was whether the country—confronted by a militant Left that denied the throne, the sword, and the altar—should continue to elect its M.P.'s by a majority method...Given the new situation that had arisen in Sweden, there was good reason to ensure the minority some protection by switching to a proportional representation system of elections. This change would at least guarantee the country's conservative elements an influence equivalent to their strength in the electorate.

Therefore, the rationale behind the adoption of PR was to protect conservatives and minority parties who would not have fared well under plurality rules in single member districts under increased suffrage. In some districts, the Liberals had become exceedingly popular; the same was true for the Social Democrats in other districts (Congleton 2011, 400; Rodden, 2011, 50).¹⁸ PR would also enable conservatives to retain control of the Senate and therefore continue to block populist reforms (Congleton 2003, 46, citing Hadenius 1999, 210). In order to accomplish this objective, PR would be used to elect the provincial councils, which would in

¹⁸ A large literature has corroborated the insight that conservative parties strategically favored PR during transitions to democracy across Europe, both as a reaction against socialism and to ward off electoral extinction (Colomer 2004, 187; Rokkan 1970; and Boix 1999). The first time proportional representation was used at the national level was in Denmark in 1855, in an election of its upper house.

turn elect representatives to the Senate. In other words, indirect elections to the upper house were retained. Moreover, the D'Hondt rule, which favored larger parties, would be used to elect legislators in both the provincial councils and lower house.

Incumbent economic elites had an obvious interest in securing their rights under a manipulated democracy through constitutional engineering; but what about their political patrons? In this book we also stress the important role played by political elites in orchestrating strategic democratization. Similar to their economic allies, they are also keen on vouchsafing their interests during and after such a transition—especially pertaining to their personal security and personal finances. In the Swedish case, this role was embodied by the monarch, King Gustav V, who threw his support behind these suffrage and electoral “reforms” because they were accompanied by a 25 percent increase in his budget and because his powers would not be reduced by them, including his ability to name cabinet members, the prime minister among them (Congleton 2011, 401).¹⁹

In short, the PR electoral system was adopted in parallel to universal manhood suffrage to protect the Conservative party and to prevent the parliament from being dominated by the Left. Although the Social Democrats grew to become Sweden's biggest and most important party after democratization, and the Liberals became a shell of their former self, the Conservatives exploited the insurance policies that had been created for them by shrewd constitutional engineers during Sweden's long transition. At least until the advent of unicameralism in 1970, they and allies such as the Centrist Party were overrepresented in both chambers.

¹⁹ This would change shortly, however, as the monarch ceded more powers to the parliament after democratization and by and large remained above the political fray as the 20th Century progressed.

Moreover, PR did not only create scores of safe seats for the Right in the Riksdag, but enduringly altered the Left's electoral strategy: "In the long term, too, Lindman's strategy of dividing the Left bore fruit: To lure back the right-wing Liberals who had supported the [Conservatives'] suffrage reform, Staaff [the Liberals' leader] partially shifted Liberal policy toward the right" (Lewin 1988, 78-9).

SWEDEN'S TWENTIETH CENTURY ELITE BIASED DEMOCRACY

Sweden had become a full-fledged industrial country by the time the franchise was extended in 1909, helping the Social Democrats monopolize the electoral support of the mass of the population, urban laborers. Beginning in 1914, they held more seats in the lower house than the Liberals. The Social Democrats were then in power in Sweden for most of the 20th Century: between 1932 and 1976 they controlled the prime minister's post.

The constitutional engineering outlined above, however, prevented the Social Democrats from parlaying their electoral strength into complete political domination. In the immediate post World War II period, the Social Democrats lost control of the lower chamber, despite the fact that they had obtained 134 seats (out of 230) in 1941, the peak of their 20th Century hegemony. After the 1949 elections, Social Democrats held a minority of seats (112). Their support only shrank thereafter. In 1957, non-socialists held a majority (119) in the lower chamber. Ironically, the Socialists maintained political control that year only because of their dominance of the upper house (79 members).

Conservative elements remained as an important competitor to the Social Democrats, enabling them to check their power. For several decades after democratization, the Conservatives held the most seats in the indirectly elected upper chamber. For example, while in 1918 the Conservatives held 88 senate seats, the Liberals held 45 seats, and the Social Democrats only 16

seats (Metcalf 1987, 217). Indeed, the Conservative Party was the second largest party in the upper house until 1965 (tying with the Liberals), and even the second largest party in the lower house until 1949 (Metcalf 1987, 289).

And when the Liberals succeeded the Conservatives as the largest opposition force, this did not prove catastrophic for landowners or incumbent firms, as Liberal MPs began to side with conservatives on economic matters. The Liberal Party had become much more moderate over time—since at least 1948, it had been supported increasingly by white collar workers. Finally, the Liberals were themselves overtaken as the second largest party in the parliament by the Center Party (previously known as the Agrarian Union), which represented not only farmers but also businessmen and white collar workers, especially since the 1960s. The Centrists often sided with the Conservatives.

What were the consequences of the Social Democrats' inability to vanquish their political foes? For the most part, they headed minority governments. When the Social Democrats controlled the cabinet, they therefore needed to secure votes from other parties to pass legislation (Congleton 2003, 160, f.n. 131). They were often forced to cobble together ad hoc coalitions to pass bills in both houses.

This helped conservatives secure a relatively restrained economic policy. For example, after World War II they mobilized resources to fight against economic planning and defeated the Postwar Program of the Swedish Labor Movement (Lewin 1988, 31). Agricultural interests also flexed their muscle before and after this period. This was the direct result of the fact that Social Democrats relied on the political support of the Agricultural Union/Centrist Party. Beginning in 1933, they relied on this party's votes to pass legislation in the parliament since they did not secure a majority on their own. This allowed farmers to gain valuable concessions, chief among

them the regulation of agricultural production and prices in a way that maximized producers' profits at the expense of consumers (Berger and Compston 2002, 283). This was a victory for agricultural interests that was reminiscent of the tariffs on food imports they had gained in the 1880s under dictatorship.

It is also important to note that important elements of the far left broke off from the Social Democrats after democratization, with the Communists being the most prominent example. This was due, in part, to the centripetal tendencies introduced by PR. Eventually, splinter parties occupied their own political enclave in the lower house. For example, by 1918, the Left Socialists had 11 out of 230 seats in the lower house (Metcalf 1987, 217). This balkanization complicated matters for the Social Democrats in a way that tended to benefit conservatives and traditional business interests.

Labor's Relatively Weak Position

Major economic policies benefited employers over workers in the wake of Sweden's democratic transition, reflecting the fact that the masses were the relative losers in Sweden's democratic game well into the 20th Century.²⁰ As a result, labor unions remained quite subservient to the state, which augured well for business interests.

The Unemployment Commission, created in 1914, first brought employers and unions together to hammer out wage negotiations through so-called policy concertation—with the government as “mediator.” By 1926, however, labor unions had withdrawn from this body, in protest against the “free market” views held by both employers and state officials. Indeed, in 1928 it was made illegal for workers to strike during wage negotiations, sharply reducing their bargaining leverage.

²⁰ This paragraph and the next strongly draw on Berger and Compston (2002, 282-3).

The corporate wage bargaining system that Sweden is better known for was consolidated in the 1930s. It was only then that the Social Democrats really engaged in efforts to organize and coordinate wage laborers, farmers, and employers. In order to do that effectively, they undertook a concerted effort to create and consolidate labor unions across industries; this was primarily achieved by putting them in charge of Sweden's unemployment insurance system, which gave workers a strong incentive to join unions. In turn, the Swedish national employers' federation (SAF) and the union confederation (LO) institutionalized centralized wage bargaining with the Saltsjöbaden accord in 1938, a watershed agreement to manage labor disputes at the confederal level. Beginning in 1953, the SAF and LO bargained in a centralized fashion. While wages were set according to "solidaristic pay," in which equal wages were paid for equal work, differentials between employees at different levels of an organization were reduced.

This system implied a sharp tradeoff for workers, however: the state retained significant control over the unions and restricted their freedom and leverage, which often redounded negatively for wage laborers. There are many examples of this. In 1948, the Social Democrats, who controlled the government at the time, attempted to introduce wage ceilings in a bid to control inflation, although they were ultimately rebuffed by the LO (Upchurch, Taylor, and Mathers 2016, 36). And during the 1950s, in particular, the Social Democrats dialed down union aggressiveness to placate its supporters in the Agricultural Union/Centrist party, and focused on educational reform instead of welfare state policies and wage increases (Upchurch, Taylor, and Mathers 2016, 37).

What impact did the muzzling of labor unions have? Scheve and Stasavage (2009) have shown that there is no evidence that centralized wage bargaining reduced income inequality in Sweden. Indeed, they report that while the United States never had a centralized wage bargaining

system, its income inequality trajectory over the better part of the twentieth century is almost identical to Sweden's—at least until the 1970s. They argue that because the gap in the distribution of income between these two countries only began in 1975, the only way centralized wage bargaining could have had an impact on income inequality in Sweden is with an exceedingly long lag.

Why would Swedish corporatism have been so lackluster? One important reason is that centralized wage negotiations give both labor and capital an incentive to internalize the effects that wage negotiations have on the broader economy. Therefore, the institutions used in Sweden to centralize wage contracts considered the larger implications of wages on inflation, the trade balance, and unemployment (Congleton 2003, 162, f.n. 133). The upshot was that policy concertation was ultimately characterized by cautious and prudential decision making. Indeed, as Iversen (1996, 416) asserts: “The original attraction of centralization, after all, was its capacity to contain the inflationary potential of militant unions in sheltered sectors.”²¹ The result is clear:

The Solidarity Wages Policy developed by the LO had little impact on differentials during the 1950s and employers benefitted from a marked modernization of manufacturing industry and increasing levels of profitability. The egalitarian rhetoric associated with solidaristic wages (sic) policy can obscure its role as an instrument of wage restraint and an important source of tension within the Swedish Model (Upchurch, Taylor and Mathers 2016, 38).

This is not to say that Sweden did not develop a robust welfare state prior to 1970. The Social Democrats did succeed in investing in education and social insurance, including

²¹ Because concertation meant that labor unions and employers bargained as units at the national level, the ultimate wage policy that obtained was dictated by the export sector, which put a lid on wage increases. Iversen explains that Swedish export oriented firms had to restrain costs because they could not pass these on to international consumers. These firms were concerned that if wage setting remained decentralized, or if domestic firms took the lead in setting wages across the economy, then runaway price increases would ensue. Domestic firms, who could pass on higher labor costs to domestic consumers, would indulge in wage increases above productivity, therefore stoking higher input costs, in particular, and higher inflation, in general.

healthcare, housing, job retraining, and pensions. These policies helped to curb inequality and reduce poverty. Contrary to conventional wisdom, however, this was accomplished along with strong constraints on wage increases and restrained monetary and fiscal policies. Nor did it involve very generous fiscal transfers (Upchurch, Taylor, and Mathers 2016, 38).

Therefore, during the 1960s, government spending was not that much higher than in other OECD countries (Freeman, Topel, and Sweedenborg 1997, 8). Moreover, although Sweden does become a “high tax country” in the 1960s, it is really on the back of a nationwide sales tax that was regressive in nature, one that was eventually replaced by a value added tax (Lodin 2011, 36). Indeed, during the 1960s Sweden’s share of consumption taxes (as a percentage of GDP) was noticeably higher than the average of the 15 European OECD members. Finally, it should be noted that although fiscal policy in the immediate aftermath of World War II was progressive, in the sense that high wealth and estate taxes passed to help finance the war remained on the books, it was not very progressive in the sense that income taxes were only moderately high, at least by Swedish standards (Lodin 2011, 29). For example, even at the highest income brackets, both average and marginal tax rates in 1948 are comparable to those in 2008 (see Lodin 2011, 31). Moreover, wealth and estate taxes in 1948 were less progressive than in the 2000s (Lodin 2011, 32).

THE ADVENT OF SWEDEN’S POPULAR DEMOCRACY

In the beginning of the chapter we documented the puzzle that Sweden’s celebrated welfare state and very low levels of inequality really began to take hold in the 1970s—an occurrence that strongly contradicts the widely held notion that Sweden has always been an egalitarian utopia. We also foreshadowed the reason behind this dramatic change: a transition to popular democracy that subtly began soon after the 1911 transition, but that really took effect

decades later with the abolishment of the Senate in 1970. This transition to popular democracy was then consolidated in 1974 with the abolishment of Sweden's 1809 constitution. This section tells the story of how and why that change occurred, and discusses its consequences.

The Riksdag Act of 1970 eliminated the indirectly elected Senate, the last vestige of overt elite bias in the Swedish political system. This was the culmination of several reforms throughout the preceding decades that sought to make the Senate more inclusive. For example, higher voting ages for county council elections had already been repealed. So had income and property qualifications, as had the relatively older age required to be elected to the Senate (Metcalf 1987, 234).

The change to unicameralism was made in a relatively straightforward manner. The upper house was simply merged with the lower house. This meant that the new unicameral parliament had 350 total seats: the 150 seats in the first chamber plus the 200 seats in the second chamber, although this was later changed to 349 seats. The terms of office for each legislator was reduced to three years.

The parliament's structure and *modus operandi* were also made quite basic by Sweden's constitutional reformers. All legislative decisions were to be made through majority vote. Legislators were to be elected from 28 electoral constituencies. Forty of the 350 seats became adjustment seats to be distributed among the constituencies and parties having the largest number of excess votes in each constituency after the first 310 seats had been distributed. This was done to guarantee proportionality.

The final farewell to elite bias was the annulment of the 1809 Constitution in 1974. On the one hand, this amounted to a formality: the new constitution merely elevated proportional representation, the elimination of the Senate, and parliamentary supremacy over the king, to the

constitutional level.²² On the other hand, Sweden's democracy became even more popular, as the new constitution introduced a provision that created a direct popular veto, via referendum, of any proposed constitutional amendments.

What were the reasons for a change to unicameralism? In terms of policy and law, its roots go back to a Commission of the Constitution appointed by the government in 1954. This commission suggested scrapping the 1809 Constitution in order to codify changes to Sweden's constitutional monarchy. The top two objectives were to endow parliament with greater power and replace the bicameral system. In 1963 a final draft of the Commission's report was delivered to the parliament. In 1966 all relevant parties agreed, in practice, to dissolving the second chamber. In 1967 the Constitutional Commission presented a final proposal, which called for the elimination of the Senate. This was adopted into law in 1969, after 1968 election, and went into effect in 1970.

The politics behind the decision were not without irony. During the 1960s, the non-socialist parties controlled the lower house of parliament but not the upper house, which was dominated by the Socialists. Consequently, the non-socialist parties had the most to gain from dissolving the Senate—at least in the short term. The Social Democrats had exercised control of the Senate since 1941.²³

²² The king was no longer in charge of the formation of new governments. The king was also written out of any role involving votes of no confidence.

²³ This was, quite simply, the result of arithmetic. As discussed above, the Senate was a lot smaller than the lower house and it evinced considerable barriers to entry vis-à-vis smaller populist parties—measures once intended to keep non-conservatives out. The Social Democrats were Sweden's largest political party by the 1940s, and therefore it is not all that surprising that they were able to wrest the majority away from non-socialists in the Senate as, over time, the Conservatives and Centrists became shells of their former selves.

Yet ultimately, as to be expected, it was the Social Democrats that pushed for eliminating the Senate. The heavy electoral losses they suffered in 1966 convinced them that gutting the first chamber was in their long-run interest. It would further dilute the over-representation of conservative elements, which was already somewhat diluted by the fact that their share of Senate seats had steadily shrunk over time. Eliminating the upper house would both consolidate the socialists hold on power over the long haul and give them greater authority and flexibility (Congleton 2003, 29, citing Holmberg and Stjernquist 1996, 16). This would allow the Social Democrats to indulge in the more populist policies preferred by their constituents.

Our theoretical framework can shine light on the eventual capitulation by conservative elements to this new reality. As we outlined in Chapter 5, structural change is often a key precipitant of liberalizing reforms to elite biased constitutions. Sweden certainly embodies this process. The Swedish economy and society had drastically changed, especially after World War II. It shifted from an agriculturally focused political economy based in the countryside, and complemented by basic industries, to a manufacturing powerhouse powered by a dense concentration of urban, skilled laborers that churned out high value added products destined for foreign markets. Figure 6.3 clearly adduces this change. In turn, a huge gulf between productivity in the agricultural and manufacturing sector opened up, itself a result of technological change and the trappings of urbanization.

The result was that, over time, conservative forces had simply lost political clout and momentum. By the late 1960s, the Conservatives and their allies simply lacked the votes to stop the elimination of the upper house – ultimately this was because their electoral bases had dramatically weakened.

Swedish democracy—however flawed and incomplete—had also gradually unleashed the masses. They had grown bolder under the political hegemony of the Social Democrats. This came to a head during the 1960s. In 1968, especially, there was heavy popular unrest in the form of repeated strikes and protests that consistently brought thousands to the street. Worker dissatisfaction with the distributional consequences of centralized wage bargaining was at the forefront of mass frustration. The upshot was that the Social Democrats, in a strange alliance with Liberals and some Conservatives, finally relented to decades-long pressure for political reform.

Effects of Popular Democracy

What were the changes wrought by Sweden's definitive turn to popular democracy? On a superficial level, there were several changes made to the workings and constitution of the Swedish parliament after the advent of unicameralism. One was the professionalization of the legislature, which meant fewer representatives from private spheres of Swedish life, including agricultural and industry. For example, the number of farmers in the unicameral version of Riksdag fell precipitously compared to the old Second Chamber, as did the prevalence of business leaders and other figures from civil society (Metcalf 1987, 233).

More far reaching and impactful changes occurred as well. First and foremost, a smaller majority could be quickly assembled to pass legislation more quickly, and with less debate. Instead of the old system of two decisions made by smaller chambers with different constituencies and interests and longer electoral cycles, policymaking had been reduced to a single decision in a large chamber with members elected for only three year terms (Congleton 2003, 158).

This change had a synergistic interaction with previous efforts to liberalize Swedish politics, especially the erosion of the norm of approving major legislation through supermajorities. Consider that:

The weakening of the supermajority norm for major programs, together with the formal reform of the parliament, clearly reduced the size of the majority required to pass large-scale and durable legislation, whereas the shift to unicameral governance simplified the task of constructing such majority coalitions. After 1970 new policies formally required only a single majority in a single chamber. Together the constitutional changes significantly reduced the cost of passing new legislation (Congleton 2003, 160).

These reforms also “reduced the difference between the existing majority of voters and the existing majority in the Riksdag by shortening the election cycle.” (Congleton 2003, 163).

Second, politics took a sharp left turn. “Two periods of sharp leftward ideological shocks occurred after the shift to a unicameral parliament: The first of the leftward ideological shocks coincided more or less with the constitutional reform; the second occurred in the late 1980s and early 1990s (Congleton 2003, 166).” Unicameralism, both directly and indirectly, precipitated an explosion in government spending that led to the strengthening of the welfare state. And, as we shall see shortly, the Swedish political economy model’s top heaviness contributed to a serious economic crisis that precipitated important pro-market reforms. Consider that:

Swedish outlays on government programs, which were reasonably “normal” until the 1970s, have increased more rapidly than in other OECD countries. Government expenditures averaged 35 percent of GDP in the 1960s. After that, they increased more rapidly than in other OECD countries, reaching an average of 63 percent in the 1980s, much higher than in other OECD countries. The 1990s crisis pushed government expenditures to about 70 percent of GDP (Freeman, Topel, and Swedenborg 1997, 8).

The Social Democrats paid for their more aggressive social transfers with progressive taxation. Swedish income taxes rose precipitously in the 1970s, especially after the formal annulment of the 1809 Constitution in 1974. Tax reforms launched in 1971 and 1974 both increased higher marginal taxes and the total tax owed by the highest brackets. Most importantly,

the rationale behind these reforms was to accelerate redistribution; for this reason, tax rates on poorer households were reduced (Lodin 2011, 41).

Other salient reforms after 1970 related to the Swedish corporatist model and were designed to benefit labor. For example, wage earner funds intended to democratize capital ownership were conceived in the 1970s and implemented in the early 1980s (Upchurch, Taylor, and Mathers 2016, 42). The transition to decentralized wage bargaining, away from the solidaristic model that had served to restrain wages, began in 1983, when industrial unions defected from peak level bargaining agreements and began to negotiate their own deals with employers (Iversen 1996). Once this split happened, negotiations began to be concluded at the sectoral or industry level. The upshot was an explosion in both union density, as depicted in Figure 6.4a, and the number of employees governed by wage bargaining agreements, as depicted by Figure 6.4b.

The onset of unicameralism and associated populist reforms in the 1970s also fed an increased preoccupation with maximizing employment despite adverse effects on inflation, which naturally rose in tandem with these efforts. Figure 6.5a, a graph of an employment protection index, supports this contention. Not only was hiring workers stepped up, but firing was made more difficult. Figure 6.5b, a graph of the share of civilian government employees as a percentage of the working age population, supports the notion that the Swedish state became an employer of last resort. Its role increased in line with the constitutional reforms outlined above.

Finally, as the Swedish state more heavily regulated the labor market and macro-economy to produce greater equality. In terms of redistribution, Figures 6.6a and 6.6b help sketch the inception and consolidation of Sweden's celebrated welfare state. Figure 6.6a graphs cash transfers (as a percent of GDP), which includes social insurance payments and social

assistance benefits. Figure 6.6b graphs unemployment insurance (the gross replacement rate). What these figures reveal is that the state became far more generous after 1970, ratcheting up redistribution through direct transfers and expanding social insurance.

Challenges to the welfare state in the 1990s

In the wake of increased trade and capital mobility, the state's post-1970 muscular intervention in labor markets, its loose monetary policy, and its high levels of spending became unsustainable. This led to structural adjustments and austerity in the short term. However, rather than a turn to full-fledged "neoliberalism," Sweden addressed a painful economic downturn induced by macroeconomic imbalances with a measured approach that did not sacrifice egalitarianism and social insurance. The reason is that, by the 1990s, Sweden's popular democracy had been well cemented.

In many ways, the unhindered rise of the Left after 1970, and the parallel fortification of the Swedish welfare state, contained the seeds of its own weakening. Without the erstwhile checks on its powers represented by the indirectly elected Senate and a strong conservative opposition, the Social Democrats were free to indulge in populist policies. These ultimately proved excessive in the face of the post-Bretton Woods era.

As we discussed in Chapter 2, beginning in the early 1970s, globalization was turbocharged in OECD countries. Free capital mobility between countries tied to floating exchange rates was unleashed, and an increased push for freer trade, which began in earnest in the early 1980s, and reached a crescendo in the late 1990s. To foreshadow the deep crisis that this augured, consider that between 1980 and 1990, Sweden experienced an outward flow of investment capital of over fortyfold (Iversen 1996, 417).

Due to looser monetary policy and a very aggressive campaign to boost public employment, as well as more generous spending on social insurance and income transfers, inflation became a major problem during the late 1970s. Indeed, Sweden's inflation rate exceeded other OECD countries during this era. In turn, this ushered in several currency devaluations and represented the death of the centralized, "inflation moderating" wage setting regime that had come of age under corporatism (Freeman, Topel, and Swedenborg 1997, 8).

Sweden was beset with other economic problems as well.²⁴ Heightened government regulation and high taxes slowed Swedish productivity—Sweden's labor policies had a pronounced bias towards the hiring of unskilled workers—leading to sluggish growth. In the process, Sweden's international competitiveness suffered greatly (Lodin 2011, 183), and as a result, capital headed for the exits and exports declined.

The result was a huge economic contraction and fiscal crisis. Between 1990 and 1993, Sweden suffered a major recession: a cumulative output drop of around 5 percent associated with a steep decline in both industrial production and services. This was accompanied by a long decline in gross capital formation and, eventually, a cratering of employment: by 1993, unemployment was over 9 percent and youth unemployment was 21.4 percent. Unsurprisingly, as tax revenues imploded and Sweden's generous safety net kicked in, its fiscal situation worsened considerably: in 1993, the deficit was an astonishing 13 percent of GDP.

In order to rectify the situation, and to ward off growing discontent from both laborers and capitalists, a host of reforms were adopted by Social Democratic governments in the 1990s.²⁵ These were centered on decentralization, deregulation, and a reduction in Sweden's marginal tax rates. In terms of decentralization, the government eased up on public sector

²⁴ This section strongly draws on Freeman, Topel, and Swedenborg (1997).

²⁵ This paragraph closely draws on Iversen (1996).

employment and wage increases to tamp down inflation, it privatized many state run firms, and it allowed for bonuses and other market mechanisms to incentivize private investment and productivity. In terms of deregulation, the government liberalized the banking, insurance, and retail sectors, often by harmonizing laws and regulations to satisfy European Union directives. In terms of fiscal reform, a reduction in marginal income tax rates was accompanied by a greater reliance on VATs.

The Swedish Welfare State Today

The reforms begun in the 1990s eventually turned the Swedish ship around. The country's competitiveness recovered, private investment firmed up, and fiscal deficits shrunk. Economic growth returned, on the back of impressive productivity growth.

Most impressively, Sweden's welfare state did not really retrench in a significant way, although the modes and methods used by the Social Democrats to fund and run the system did change drastically. The fiscal system became much less progressive and value added taxes began to pay for much of the country's still generous social insurance programs. Compare the percent share of fiscal redistribution tied to taxes versus transfers during the heyday of Social Democratic rule and today; in 1975, redistribution due to taxes was a high of 32 percent versus 68 percent from transfers; by 2005 taxes only accounted for 18 percent of fiscal redistribution, while transfers were 82 percent (Wang and Caminada 2011).

Indeed, while the tax system became less progressive, social spending became even more progressive. The programs financed by the state in 2005 included sickness benefits, occupational injury and disease benefits, disability benefits, old-age and survivor benefits, child/family benefits, unemployment compensation, maternity and other family leave, military veteran

benefits, and social assistance cash benefits. Spending levels on these programs were much higher in that year than at any previous point in Swedish history.

Besides shrinking and becoming more efficient all at once, the state also stepped back from its overt regulation of the economy to equalize wages, and allowed unemployment to rise. Yet Swedish governments continued to readily invest in education, health, and job training.. Spending on higher education in Sweden ranks amongst the highest in the world, approaching 3% GDP, and university tuition fees are amongst the lowest (Piketty 340 and 430, endnote 39). Finally, Sweden has virtually eliminated poverty. Therefore, despite important changes, Sweden remains quite egalitarian.

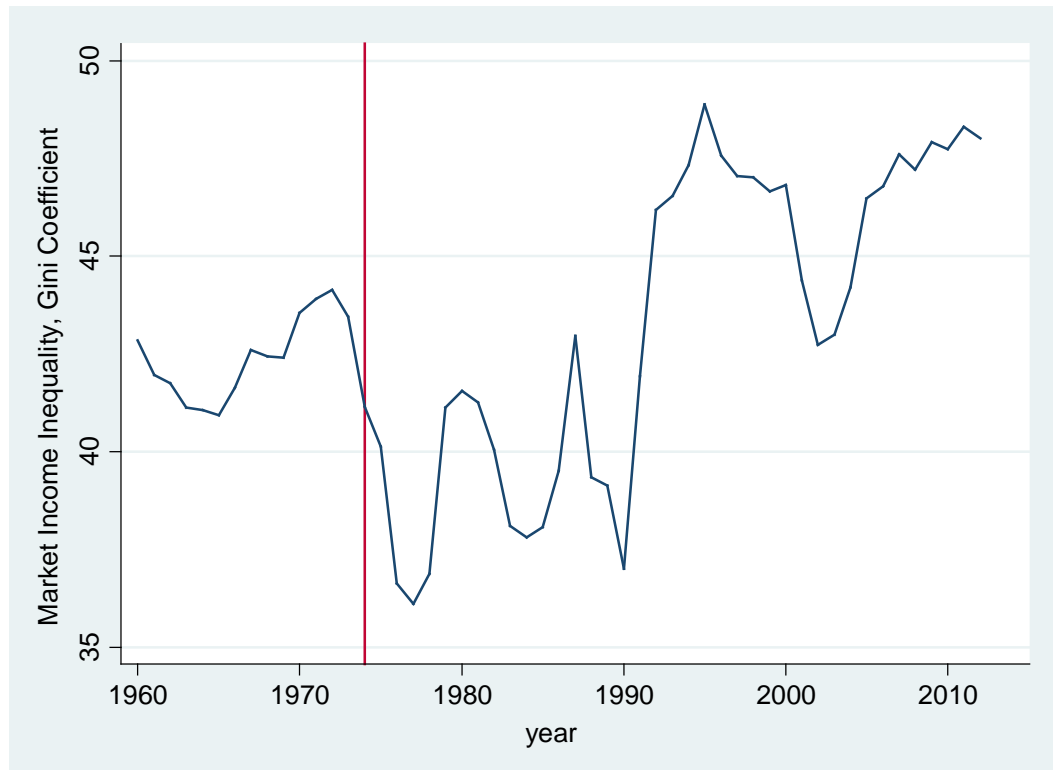
CONCLUSION

We have argued in this chapter that a big reason for Swedish exceptionalism is that it became a popular democracy. This victory was hard fought and protracted, and culminated in the abolition of the indirectly elected upper house in 1970. And despite serious setbacks to the welfare state associated with a severe economic crisis during the late 1980s and early 1990s, calculated reforms set things in a more balanced and sustainable direction. Indeed, in the Swedish case it can be said that the Social Democrats grew too strong for their own good after finally slinking off the last vestiges of elite bias that had weighed down its democracy. Yet the country found a way to strike a bargain between the demands of one of the world's most generous welfare states and the need for increased competitiveness and productivity in the face of globalization—allowing for the coexistence of a high standard of living alongside a strong social safety net and egalitarianism.

One of the major contributions of this chapter is to show that this was not always the case in Sweden, but is firmly the case now. Sweden represents the paragon of democracy's potential.

Similar to most of the world's other democracies, both old and new, Sweden's was flawed from conception and only improved recently after a messy and prolonged process. If one of the world's most celebrated advanced democracies shed its autocratic legacy so resoundingly and successfully, but quite belatedly, perhaps other countries burdened with elite biases can yet do the same.

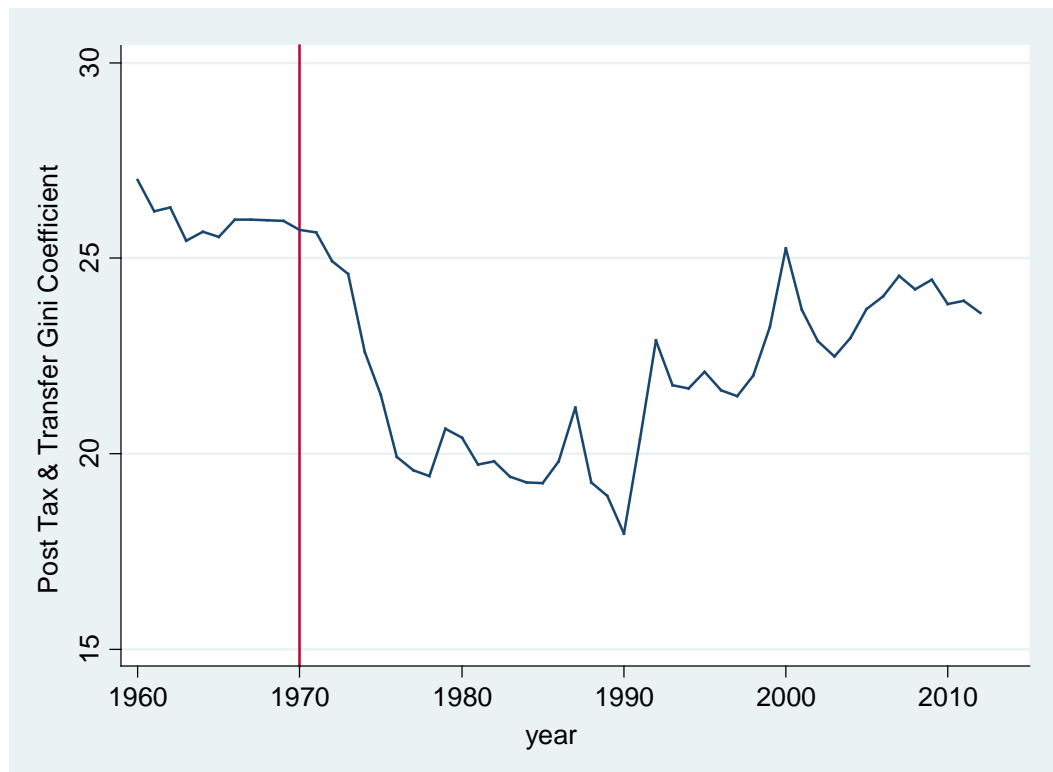
Figure 6.1a Sweden's Market Income Inequality



Notes: Pre-Tax-and-Transfer GINI Coefficient for household income, whole population.

Source: Brady, Huber, and Stephens (2014)

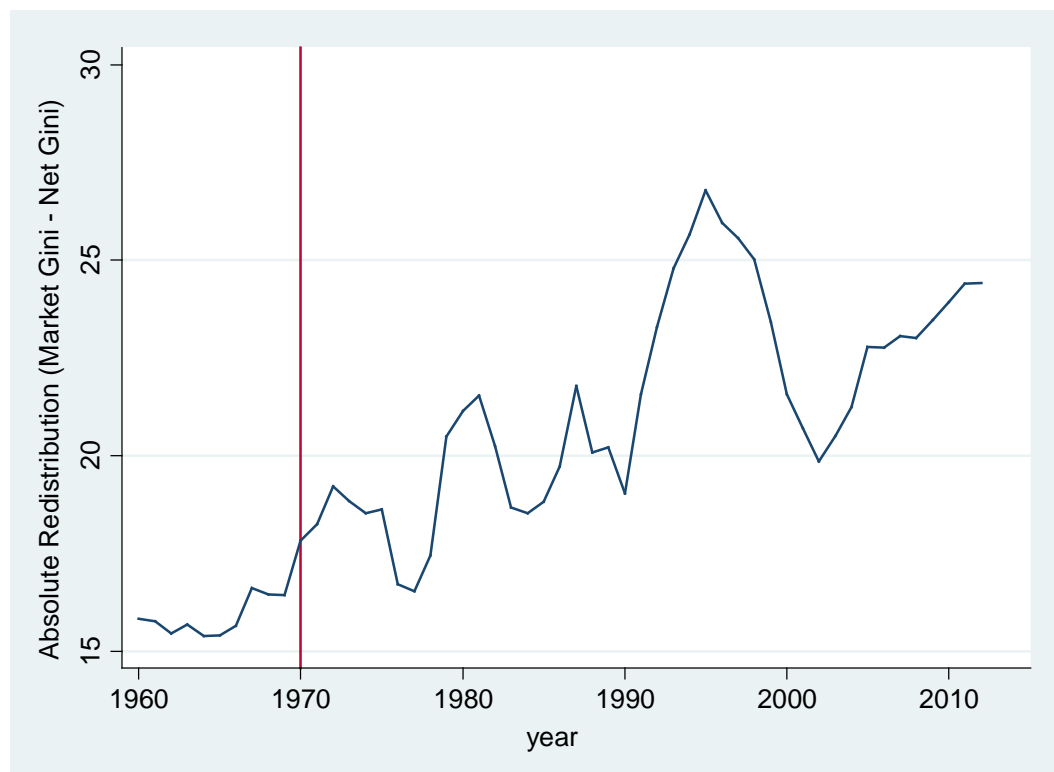
Figure 6.1b Sweden's Post Tax and Transfer Income Inequality



Notes: Post-Tax-and-Transfer GINI Coefficient for household income, whole population.

Source: Brady, Huber, and Stephens (2014)

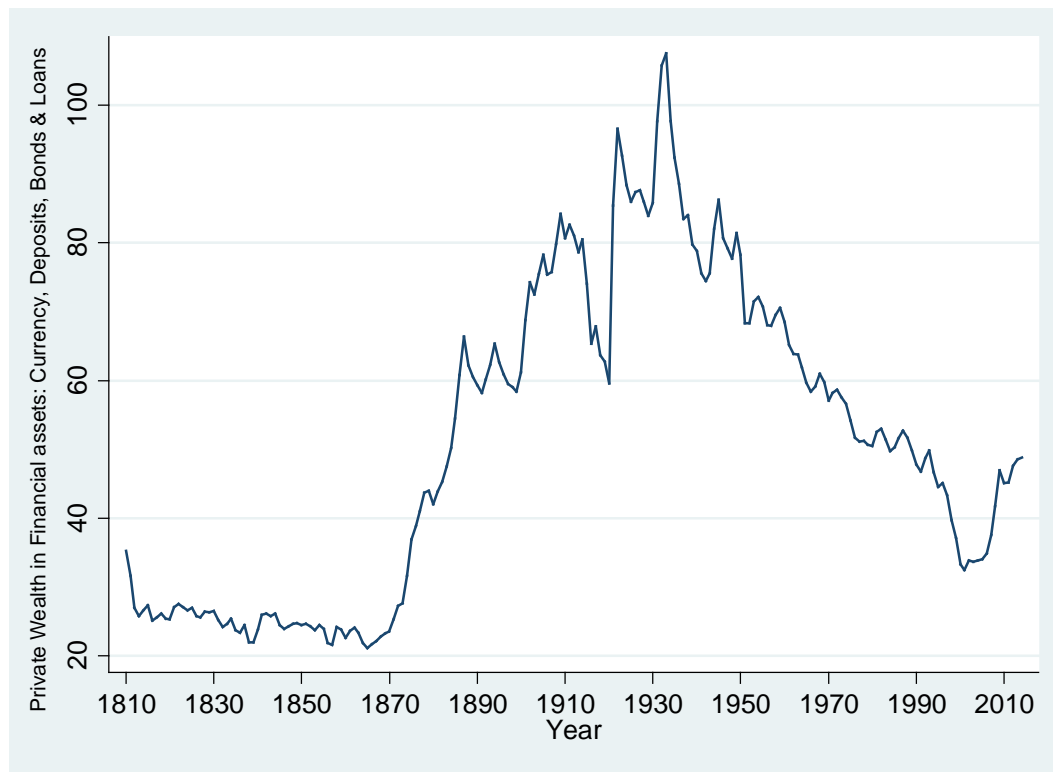
Figure 6.1c Sweden's Total Redistribution



Notes: Market-income inequality minus net-income inequality for household income, whole population.

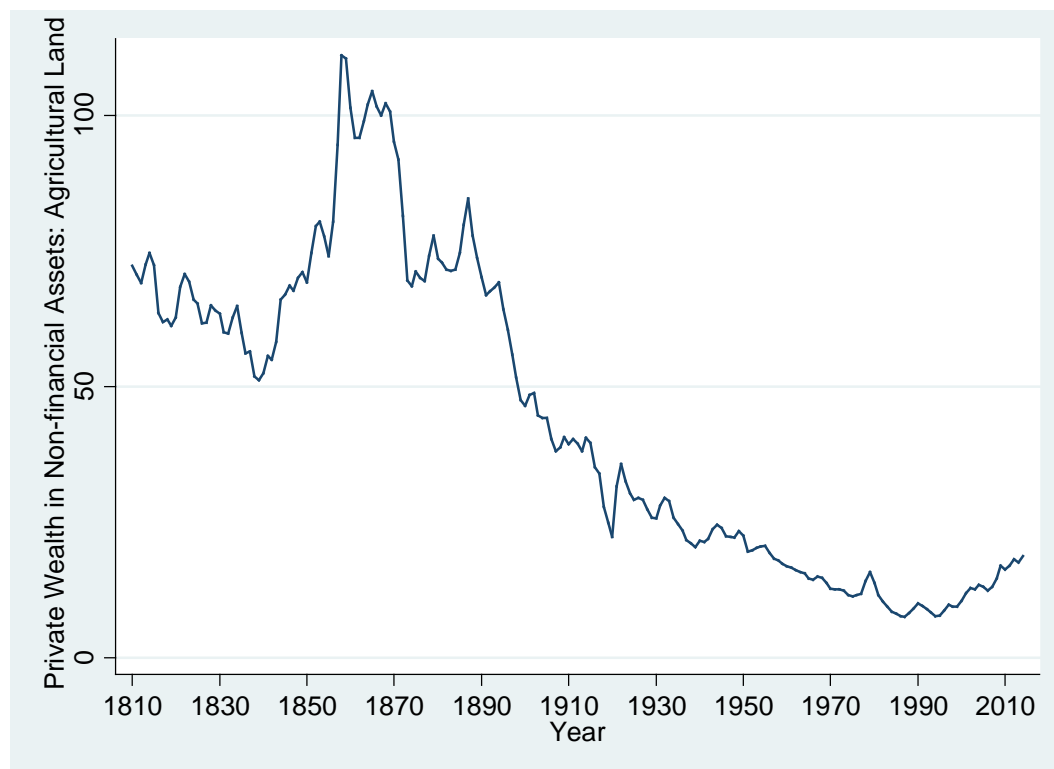
Source: Brady, Huber, and Stephens (2014)

Figure 6.2 Private Wealth held as Financial Assets in Sweden (% GDP)



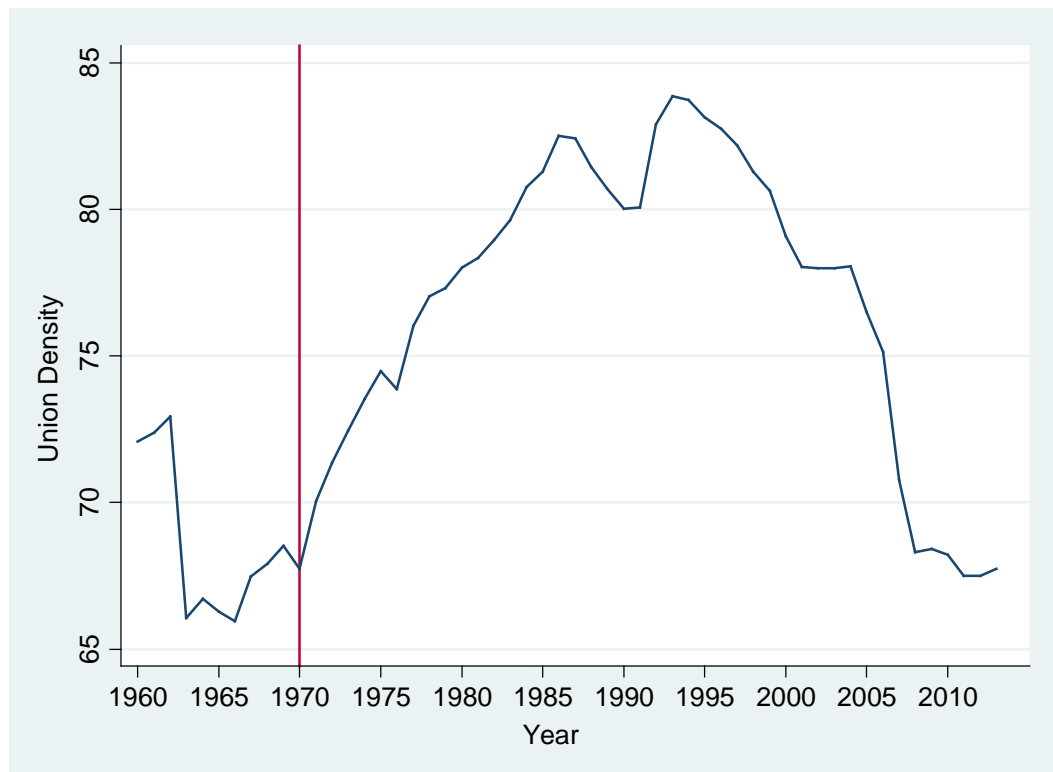
Source: The World Wealth and Income Database (2016)

Figure 6.3 Private Wealth held as Agricultural land in Sweden (% GDP)



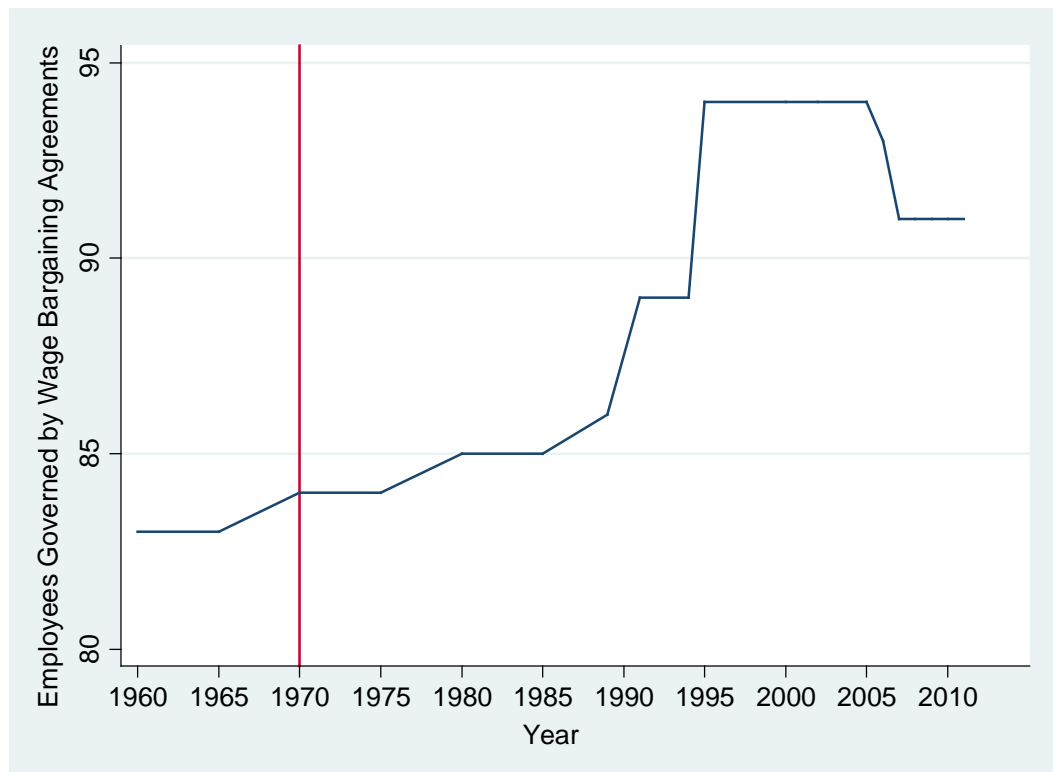
Source: The World Wealth and Income Database (2016)

Figure 6.4a Swedish Union Density



Notes: net union membership as percentage of employed wage and salary earners.
Source: Brady, Huber, and Stephens (2014)

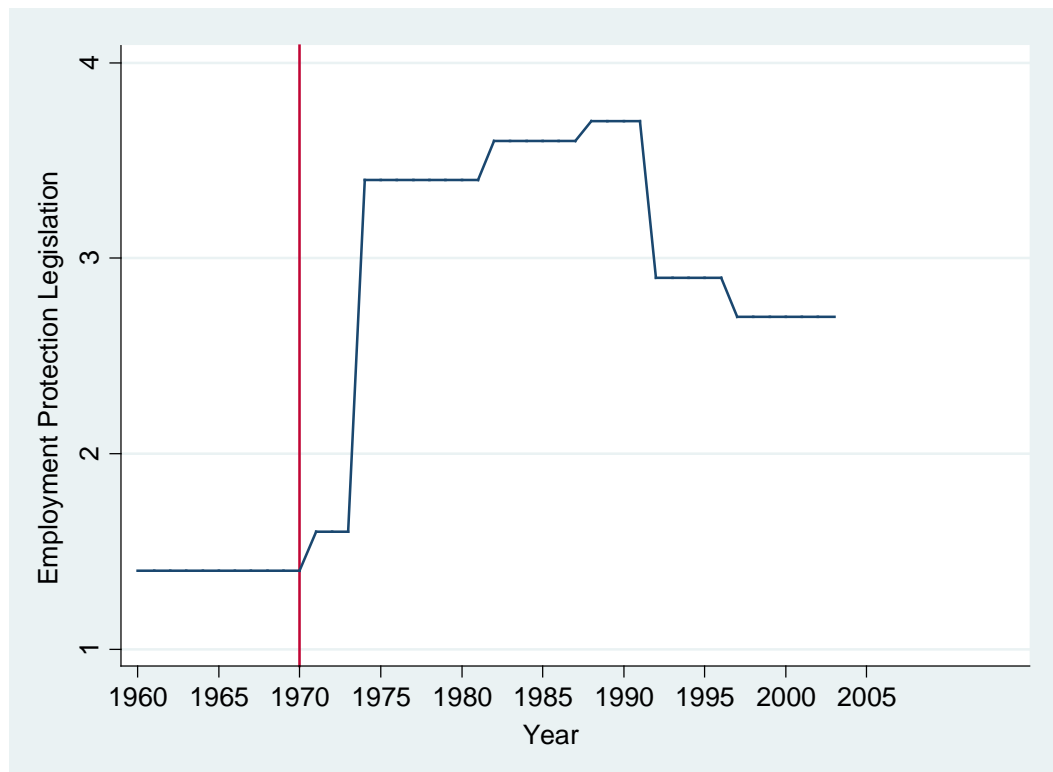
Figure 6.4b Swedish Employees Governed by Wage Bargaining Agreements



Notes: employees covered by wage bargaining agreements as percentage of all employees with right to bargaining.

Source: Brady, Huber, and Stephens (2014)

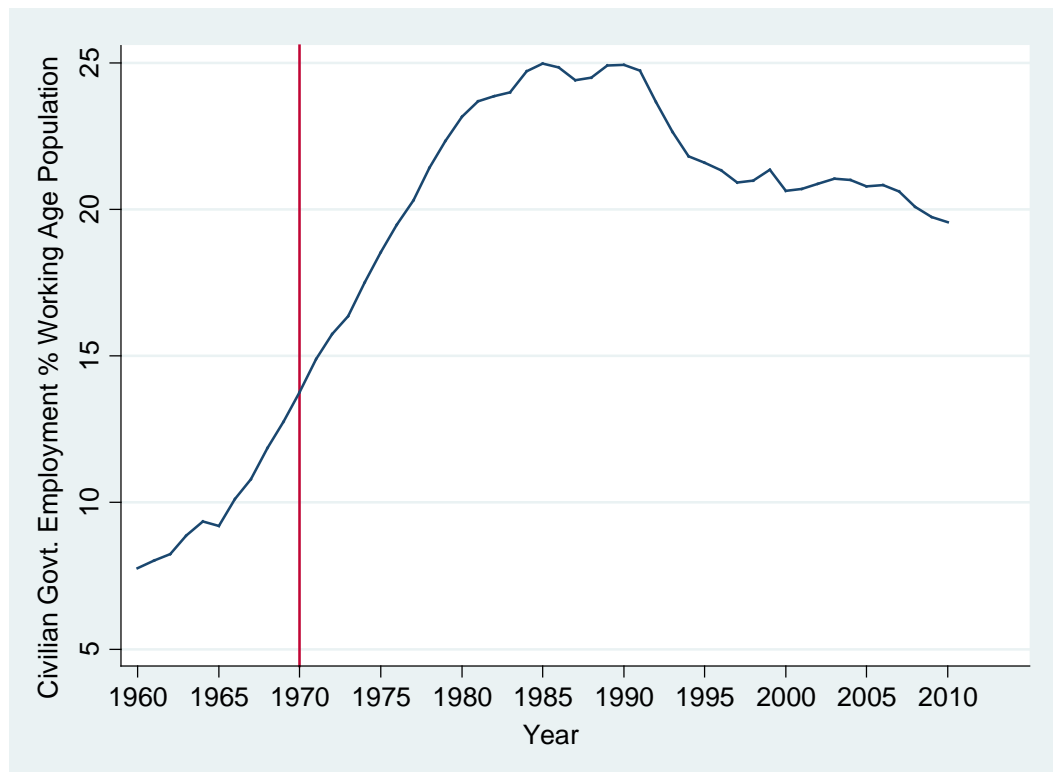
Figure 6.5a Swedish Employment Protection Index



Notes: index of overall strictness ranging from least strictness (0) to most
Strictness (5).

Source: Brady, Huber, and Stephens (2014)

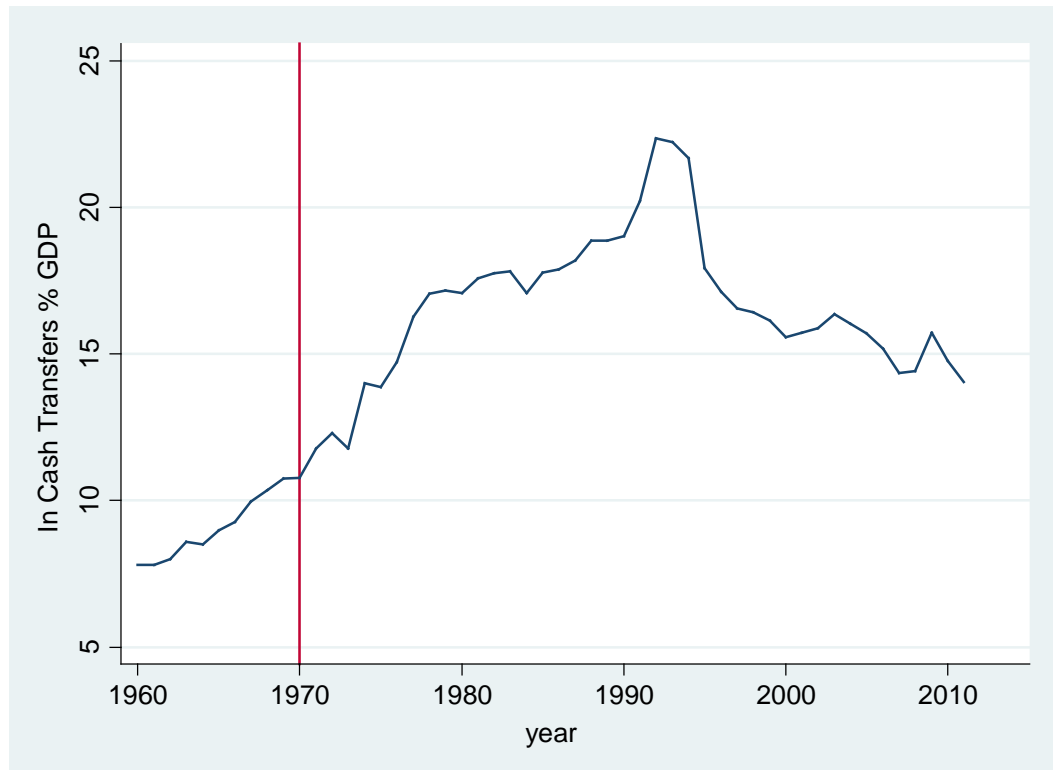
Figure 6.5b Share of Civilian Government Employees (% Working Age Population)



Notes: the working age population includes individuals between the age of 15 and 64.

Source: Brady, Huber, and Stephens (2014)

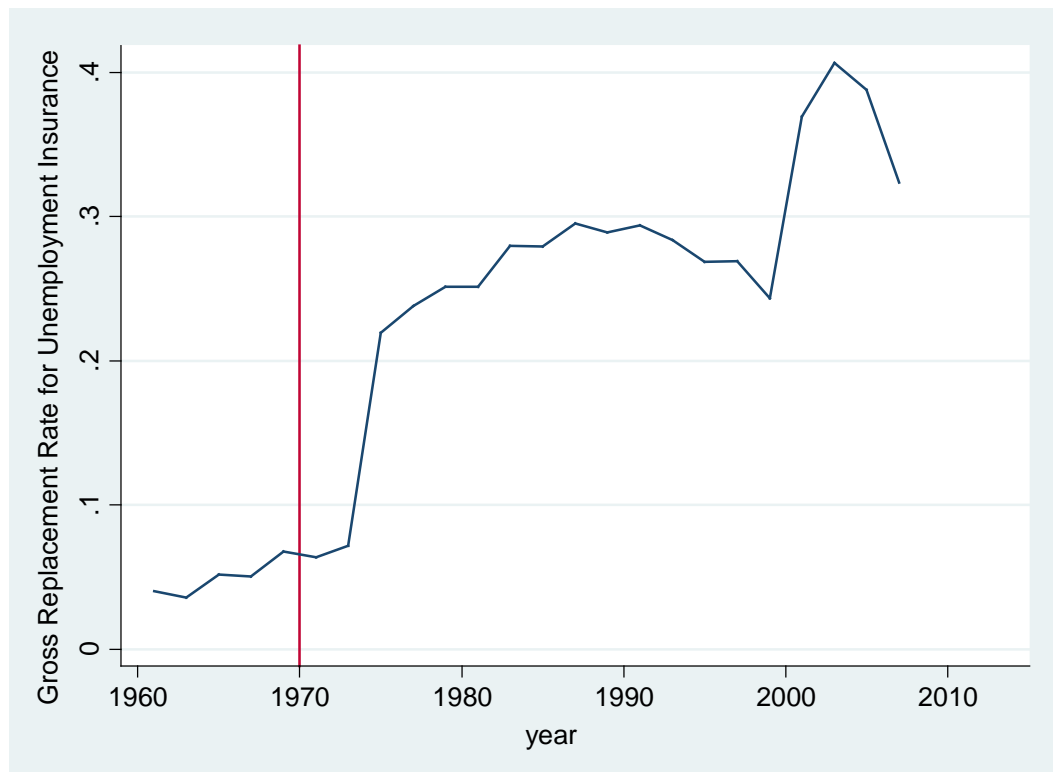
Figure 6.6a Sweden's Cash Transfers (% GDP)



Notes: Cash Transfers includes social insurance payments and social assistance benefits, provided by government units and social security funds.

Source: Brady, Huber, and Stephens (2014)

Figure 6.6b Sweden's Unemployment Insurance (Gross Replacement Rate)



Notes: Summary measure of Goss Replacement Rate for unemployment insurance. Replacement rate calculated as average annual benefit bequeathed to workers across single workers, married workers with a dependent spouse, and married workers with a working spouse at 67 percent and 100 percent of average annual earnings for the following durations: 1 year; 2 to 3 years; and 4 to 5 years. Source: Brady, Huber, and Stephens (2014)