Democratic socialism and planning of the economy
This article will deconstruct the ideological development of the Swedish Social Democratic Party SAP (officially, “the Social Democratic Workers’ Party of Sweden”) and the Social Democratic Party of Finland SDP. This will be done by analysing their own alternative scopes of action in relation to the concepts of major ideologies and economic theories such as socialism, capitalism, economic planning, market economy, postmodernism and Keynesianism as well as researching how Nordic social democrats redefined their conventional ideological meanings.

The SDP stressed at the Party Conference in 1975 that democratic socialism was the basis of its programmatic identity. The party’s long-term goal was a “socialist society” and “equality between people”, which would be achieved by seeking the support of the majority of citizens. Finland’s Social Democrats also favoured the expansion of public services, state companies and cooperatives, “democratic economic planning […] including the effective regulation of capital movements” and “the societal control of commercial banks and insurance companies”.1 The SAP committed similarly in 1975 at its Party Conference to long-term planning of the economy (planmässig hushållning). It positioned itself as the representative of democratic socialism between communist planned economy and capitalism.2 Accordingly, one of the motives for stressing democratic socialism by the SDP was to win the support of the radicalised post-war baby boom generation, which had to some ex-

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tent become attracted to the New Left ideas and Communism in the previous years. The SDP’s and SAP’s planning idea was influenced by Austro-Marxism, which favoured the democratic rational regulation of the economy by the state and worker organisations to optimise societal production costs in the 1920s.

This was in line with the SDP’s existing Principal Programme from 1952 reflecting the SDP’s and SAP’s identity within democratic socialism. The latter meant not only a reformist relationship to capitalism but also adapting to Kautskyanism and “functional socialism” without committing to the Eastern European type of state-centred economic regulation.

From the SAP’s perspective, the Kautskyan ideology stemmed from the party programme of 1897. It included waiting for the inevitable evolutionary revolution due to the inner nature of capitalist economy. This waiting period could be spent practising social democratic politics through the parliamentary route especially after parliamentary democracy had been established in Sweden after the First World War.

The utopia of democratic socialism had become more tangible for the SAP when, as the leading coalition government party in the period following the Great Depression in the 1930s, it had emphasised the rational planning of the economy. Wartime practical planning of a social democratic-led broad coalition government was followed by a formulation in the SAP’s party programme in 1944 according to which public investment, planning and structural rationalisation policy was needed to overcome the cyclical fluctuations caused by capitalist economy.

The SDP had committed to a government cooperation with the bourgeoisie parties in the late 1930s and during the Second World War. However, state-promoted economic planning materialised in Finland only because of wartime necessities in the early 1940s.
“Planhushållning” (planned economy) emerged in the SAP’s vocabulary for the first time in the social democratic magazine *Tiden* during the First World War, when a radical German political scientist named Fritz Croner used it to refer to German economic planning. The SAP economist Gunnar Myrdal used the term in the SAP journal *Tiden* in 1931 when discussing the need for the rational planning of the economy in the form of “economic councils”.14 The SAP leader Hjalmar Branting had also visited company councils in England in 1920. These councils were based on the ideas of the English Guild Socialists.15

Long-term economic planning (“planmässig hushållning”) had meant a parallel course of action in relation to socialisation for the Swedish Social Democrats from 1932. The finance minister Ernst Wigforss argued that “planmässig hushållning” was not necessarily a synonym for socialisation and could mean actions compatible with free market [economy].16 This meant combining the concept of economic democracy with “the rational and effective organisation of production by directing the production and distribution of products” in SAP’s Party Programme of 1975.17

It was part of the SAP’s strategy to maintain competitiveness and the full employment policy over the economic cycle.

The SAP continued to develop rationalisation after the need to reorganise production to reduce wastefulness in competition, to increase specialisation and standardisation in production and to realise technological opportunities in full had been stated in its Gothenburg Programme in 1919.18 The need to improve workers’ material security by rational planning stemmed strongly from the capitalist meta-ideologies of rationalisation and technocracy such as Taylorism in the early 1900s.19 The SAP’s idea of rational and practical scientific engineering of society, social planning through state intervention and collective representational self-regulation of people were later developed, in particular, by the scholars Gunnar and Alva Myrdal.20

The Swedish Trade Union Confederation LO (Landsorganisationen), wanted to increase long-term industrial planning in 1975. According to the LO’s chairman Gunnar Nilsson, this differed from the SAP’s strategy of moving towards “the invisible hand” of classical liberalism and was motivated by the shortage of food, raw materials and energy in the world. For Nilsson this meant im-

15 Friberg, ”Demokrati bortom politiken,” 112.
plementing democratic economic planning (demokratiskt hushållning) which could be achieved by increasing the cooperation between industry and the state.\textsuperscript{21}

In Finland, rationalisation ideas were developed in the "O-Group" between 1955 and 1962. Many future influential social democratic politicians and economists (such as Mauno Koivisto, Jussi Linnamo and Pentti Viita) had been members of this discussion group, which acknowledged the ideas of the logical empiricism of the Finnish philosopher Eino Kaila.\textsuperscript{22}

Within the SDP, the socio-political social democratic workers’ association YPSY (Yhteiskuntapolitiittinen sos.dem. yhdistys) represented a natural continuation from the O-Group’s logical empiricism after academic social democrats (including above mentioned O-Group social democrats) had established this association in December 1961.\textsuperscript{23}

This is because YPSY urged an increase in holistic and knowledge-based decision-making inside the party. This was considered necessary in a world in which the role of technological development and social sciences including economics had been consolidated. YPSY and its ideas gained traction inside the SDP after the party secretary Erkki Raatikainen had built a strong expert group organisation inside the SDP in the late 1960s. Linnamo later called YPSY “Finland’s Fabian Society”, which had also been used as a derogatory term for YPSY by the party’s working class members.\textsuperscript{24}

\textbf{From democratic economic regulation to the shadows of global capitalism}

The Red–Green coalition government practised counter-cyclical expansionist economic policy during the Great Depression in Sweden in the early 1930s. It was endorsed by the economists of the Stockholm School and has been interpreted as representing ‘proto-Keynesianism’\textsuperscript{25,26}. The Stockholm School was not the only creator of the SAP’s "Keynesianism". Ernst Wigforss had already become acquainted with the Yellow Books by the British Liberal Party and J.M. Keynes’ pamphlet in the late 1920s.\textsuperscript{27}

No signs of wider counter-cyclical economic policy and resuscitation emerged in Finland during the great depression and the Centre–Right coalition governments in the 1930s. Furthermore, the general level of wages decreased when the Social Democrats had no political power to hinder these developments with hardly any collective labour market agreements in place in the Finnish labour market at that time. Most of the workforce suffered from unemployment in Finland during the Great Depression of the 1930s.\textsuperscript{28}

\begin{footnotesize}
\begin{enumerate}
\item Outinen, “From Steering Capitalism,” 393.
\item Harmo, \textit{YPSY 30 vuotta}; Linnamo, "Asiantuntija ja puolue".
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Similarly, the Swedish and Finnish Social Democrats were confronted by the consequences of the global oil crisis in the mid-1970s. In Finland, the SDP-led Centre–Left government concentrated on decreasing the negative trade balance and strengthening fiscal policy when both the unemployment rate and inflation were expected to rise.\(^{29}\) In Sweden, however, Olof Palme stressed in the SAP Party Conference in 1975 that the low unemployment rate in Sweden was an international exception. The spirit of the reformed party programme was, according to Palme, to ensure that working would remain a key factor for human existence and that the SAP would not tolerate permanent mass unemployment in the future either. The SAP would secure full employment to all men and women.\(^{30}\)

However, the SAP’s principal commitment to jobs for all also seemed to be under threat in Sweden. Olof Palme inferred in the SAP Executive Board in May 1975 that the Swedish economy was on a knife-edge despite the country’s high employment and investment figures in international comparisons. The price for those achievements and the decent consumption level had, according to Palme, meant an increase in national debt.\(^{31}\)

The social democratic economic and employment policies of the SAP were not challenged from outside the party alone. The SAP Executive Board decided that the SAP Equality Group report should not be discussed at the Party Conference in 1975. This was because many aspects of the report differed from the drafted party programme.\(^{32}\) A group had been established in 1968 to address the inequalities and uncertainty in Swedish society.\(^{33}\) The group stressed in 1975 that the redistribution of resources was a precondition for equality, which again was a prerequisite for human development. This meant that everyone could contribute to society’s economy and welfare in their own way. The group also formulated that even if social benefits may occasionally increase unemployment, their impact would only be positive because disguised unemployment would be made visible and workers’ freedom to choose their jobs would slightly increase. This statement differs from the supply-sided Keynesianism of the SAP’s party programme, even if the Equality Group stated that the “jobs for all” principle had a major impact on redistribution.\(^{34}\)

The SDP, now in opposition after being the main party in government in 1972–1975, decided to transform its practical short-term policy at a meeting of the SDP Party Directorate at Siuntio Spa in early 1977. The party leader Kalevi Sorsa argued that the SDP had gathered “at Bad Sillanpää” to redirect its policies to boost export sector profitability and to distance the party from its socialist image. “Bad Sillanpää” refers to the 1959 Godesberg Programme of the Social Democratic Party of Germany. The SDP’s meeting was also arranged at a spa (Bad) as had the SPD’s Bad Godesberg meeting been where Germany’s

\(^{29}\) Outinen, “From Steering Capitalism,” 392.


\(^{31}\) Protokoll av Social Democratic Workers’ Party of Sweden (SAP) partistyrelsen (SAP PS) [Protocols of SAP’s Executive Board], 26 May 1975, 1–3, Archives of the SAP, Arbetarrörelsens arkiv och bibliotek (ARBARK), Huddinge [Swedish Labour Movement’s Archives and Library].

\(^{32}\) SAP PS, 16 June 1975, 61–62.

\(^{33}\) Jenny Andersson, “Mellan tillväxt och trygghet: Idéer om produktiv socialpolitik i socialdemokratisk socialpolitisk ideologi under efterkrigstiden” (PhD Diss., University of Uppsala, 2003), 57–9.

\(^{34}\) Protokoll av SAP verkställande utskott (SAP VU) [Protocols of SAP’s Party Directorate], attachment 55, 9–10 June 1975, Archives of the SAP, ARBARK.

\(^{35}\) Sassoon, One Hundred Years, 249–251.

\(^{36}\) Outinen, “From Steering Capitalism,” 394.
Social Democrats disconnected themselves, if only in principle, from Marxism.35,36 The SAP went into opposition for the first time in 40 years after losing votes in the parliamentary elections in autumn 1976. It vetoed an “active cyclical policy” behind Sweden’s rising employment figures in its opposition programme in 1977. Even if this could be seen to represent the continuity of Keynesian type of economic regulation in Sweden, there were also similarities between the SDP’s Bad Sillanpää strategy and the SAP’s economic policy at that time. This was because the SAP also wanted to tackle the increase in national debt despite the rise in unemployment.37

Sweden’s convergence with the premise of the SDP’s Bad Sillanpää and global capitalism became more obvious after Olof Palme had failed in his attempts to combine stable economic growth and full employment with the United Nations’ International Economic Order (NIEO) initiative.38 The scheme to

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37 SAP VU, attachment 6, 17 January 1977; SAP PS, 12 September 1977, 4–12.
establish a network of equal Keynesian national welfare states instead of embracing global financial capitalism was finally buried by the proponents of the ‘magic of the market’ (Ronald Reagan (United States), Margaret Thatcher (United Kingdom) and Helmut Kohl (Federal Republic of Germany) at the North–South Summit organised in Mexico in October 1981.39

Challenge of postmodernism

In 1978, the SAP’s Economic Policy Group outlined that there was no grounds behind the idea that a zero rate of growth would ease problems with employment, redistribution or competitiveness.40 However, the idea that salaried work was a basic component of social democratic thought was challenged partly in the 1980s. André Gorz was one of the philosophers whose concept of ‘liberation’ from work instead of easing or abolishing capitalist labour relations was supported by some of Finland’s social democrats in the 1980s. He analysed that the Marxian formulation of the capitalist inner logic, which would inevitably lead to a proletariat majority in society, had, for now, become false, because the working class had been transformed into a privileged minority.41

Most of the SDP felt that the emerging “post-industrialism” had to be regulated by reducing working hours and controlling industrial development. This would guarantee full employment. Only a minority of Finland’s social democrats wanted to introduce a so-called citizen’s wage. This was motivated by liberating people from the burden of salaried work.42

Similarly, Ingvar Carlsson stressed at the SAP Party Conference in 1984 that the party’s new idea programme for the future was strongly committed to the principle of jobs for all instead of stressing benefits, passive economic subsidies or a citizen’s wage. This was meant to give economic resources to support welfare, lead to fellowships between people and give them an identity within society and self-confidence. According to Carlsson, giving up this goal would have meant creating new class divisions.43

However, the SDP and the SAP made concessions to the post-material and individual values of the New Left and the 1960s generation44. On its new party platform in 1987, the SDP stressed that they represented not only wage earners but also everyone who shared the party’s platform. Accordingly, the SDP stated in the same spirit that ecological limits had to be considered while improving the welfare of people.45 In 1989, the SAP’s Programme Commission also stressed the need to raise environmental issues to the same category of importance as employment questions. This did not mean decreasing economic growth but

40 Attachment 22, SAP VU, 21 September 1978, 6, 9, 11, 15, 18, 22.
42 Outinen, “From Steering Capitalism,” 397.
44 Sassoon, One Hundred Years, 385–390, 650–1, 670–2.
investing in environmentally friendly technology, which should be funded by economic growth combined with decreasing private consumption.46

The fragmentation of the labour movement’s identity was compatible with the increase in its faith in the market and the abandonment of Marxism, even though most people of working age earned their livelihood by doing salaried work.49

The SAP’s party platform in 1990 stressed that neither pure planning or market economy are favourable for production and the SDP’s new party platform in 1987 acknowledged the idea that markets direct the economy. Furthermore, everyone’s right to work was included in these programmes.50

This meant that the Nordic social democrats silently denied that the goal of full employment and identity based on salaried work would be at odds with the ecological limits of the Planet. Instead, they adopted another dimension of postmodernist interpretation, namely the idea that the emerging risk society entails the individualisation of identity and social risks.51

The new social democratic identity policy was built around the combination of market-driven and collective measures. The nostalgic People’s Home rhetoric of the SAP52 was based on the freedom from markets thinking, critique towards the bureaucratic nature of the latter, social individualism and the concept of positive freedom, which was filtered through the century-old labour movement’s self-emancipatory formulation and the New Left’s ideas.53 This was motivated partly by the decline of state socialism in Eastern Europe.54

The party leader Ingvar Carlsson’s interpretation was that Per Albin Hansson’s People’s Home rhetoric in the 1930s had already transformed the SAP from a class party to a people’s party and the new platform represented continuity with functional socialism which stressed decision-making power over ownership questions stemming partly from the ideas of Nils Karleby. This was criticised by the Stockholm Workers’ Association, which would have stressed the class society analysis in the SAP’s new party platform, as representing “social liberalism”.55

46 SAP VU, 18 August 1989, 10–2.
49 Sassoon, One Hundred Years, 651–2.
53 Andersson, Origins of Postmodernity, 50–2; Andersson, “Mellan tillväxt och trygghet,” 114.
The high number of white-collar unions by international comparison, an important consequence of popular movements such as the temperance movement at the birth of the Nordic social democracy, and the emphasis put on education and workers’ self-improvement had made the SAP open to the middle-classes.\textsuperscript{56}

Similarly, the idea of workers’ self-education has been an important part of the social democratic tradition in Finland. Furthermore, after the Second World War, the social democratic concept of the working classes included the middle classes and white-collar workers as well.\textsuperscript{57}

Social democrats in Finland and Sweden had also argued against the “bureaucratic and ineffective” dimension of the welfare state since the mid-1970s, i.e. considerably before the third way social democracies in the UK, USA and Germany in the 1990s.\textsuperscript{58,59}

The SAP’s anti-bureaucratization theme was motivated by Olof Palme in 1984 as a response to the “consolidated apolitical anarchy-orientation of the Left” which had been exploited by the Right. Palme referred to Amitai Etzioni who had concluded that the success of Ronald Reagan in the USA was based on the combination of extreme economic liberalism and utmost value-conservatism. According to Palme, this was the reason why the SAP had to take identity politics and moral questions such as white-collar crimes and drugs into consideration, especially since the labour movement had carried strong moral demands in relation to its economic group interests.\textsuperscript{60}

**Market economy**

The tension between the Kautskyan-oriented identity of democratic socialism and the capitalist-oriented practice of export sector competitiveness characterised Nordic social democracy in the era of globalising capitalism. The SAP’s Programme for the 1980s Group Report stated that “the new winds of the Right” and the “neoliberal ideas” against the welfare state, trade unions and industrial democracy gained power during the growing economic crisis in the West. According to the report, neoconservatives and neoliberals based their ideas on the “old and ordinary capitalist system”. The Group’s analysis showed that the “effective use of resources and basing production on demand” represented the positive side of capitalism despite

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\textsuperscript{60} SAP VU, 4 March 1983, 3–7.
its negative impact on workforce, nature and purchasing power.61

However, Peter Persson from Skåne complained at the SAP Party Conference in 1981 that the economic crisis programme Future for Sweden for the 1980s meant the continuation of traditional politics, which would not transform the base of capitalist society.62 Similarly, the former party secretary Erkki Raatikainen complained, in vain, at the SDP’s Party Conference in 1981 that after his party “had strongly committed to the European capitalist system, the traditional demands and goals of the trade unions had become secondary [for the SDP] compared to the interests of capital and export trade”. The leading social democrats in Finland in 1984 pursued the societal control of banks and insurance companies as the most powerful alternative to complete socialisation.63 This meant that the socialist identity took the back seat in the Nordic social democrats’ practical crisis and restructuring policies, even if they simultaneously criticised capitalism and market liberalisation policies at the start of the 1980s.

It was analysed in the SAP’s economic crisis programme in 1981 that companies themselves, not the state organisation, should have the final decision on how to perform their operative functions based on market signals. The SAP endorsed this as long as workers would have real influence on their work. This would have a positive impact on productivity investments.64

Similarly, the SDP’s Committee on the Party Platform separated the concepts of a “capitalist market economy” and the “market” in its draft for the party’s new platform. It still opposed the former whereas the latter was conditionally accepted. The committee labelled its idea as “market socialism” in 1984.65

Thus, the market economy became a positive identity to most social democrats in Finland and Sweden in the 1980s. Something similar had happened to Ernst Wigforss, Kalevi Sorsa’s early 1980s role model, as he, “a reformist who favoured temporary utopias”66, had prioritised efficiency over worker influence in Sweden in 1949. This also bore a resemblance to how other social democratic ideologists such as Nils Karleby and Rickard Sandler had found the common denominators of liberalism and socialism in the 1920s (Karleby) and 1930s (Sandler)67. Furthermore, the SDP no longer referred to capitalism in its new Party Programme in 1999 even though it acknowledged problems in market competition and market economy68.

The SDP committed to partial privatisation of state companies without abandoning state majority ownership in 1987. This was followed by the government’s decision to allow private share issues in state companies in 1988, which had been conditioned by the SDP’s government partner, the National Coalition Party NCP69. In addition, the SAP-led government started the privatisation of some of the state-owned production. It no longer

61 Attachment, SAP PS, 16.–17 June 1981, 1/159−4/162.
64 Attachment, SAP PS, 16.–17 June 1981, 38–41; Bergström, Socialdemokratin i regeringsställning, 44.
65 Outinen, “From Steering Capitalism,” 397.
66 Outinen, Sosiaalidemokraattien tie, 182–183.
67 Bergström, Socialdemokratin i regeringsställning, 54–55.
69 Outinen, Sosiaalidemokraattien tie, 195.
wanted politicians to intervene in corporate decisions. The employment losses caused by this new policy stirred criticism among the union wing of the labour movement, but the LO leaders accepted this policy shift.\(^{70}\)

This did not mean abandoning in party programmes the future-oriented utopia of democratic socialism\(^{71}\) in a manner of relativist post-modernism, but, in practice, it led to surrendering to capital and clinging to individualism and the middle-classes. Social democrats also began to derive “its poetry from the past”\(^{72}\) by concentrating on defending the premise of the welfare state instead relying on Marxian class-analysis\(^{73}\).

This happened after Nordic social democrats had failed to transform global economic infrastructure into a Nordic-style system of regulation by the early 1980s. However, some delegates still urged the nationalisation of banks at the SAP Party Conference in 1990\(^{74}\), and collective union action to increase individuals’ room to manoeuvre\(^{75}\) remained important in Nordic social democracy up until 1990.

### Conclusions

The party platform of democratic socialism and economic democracy by the Swedish and Finnish Social Democrats did not embrace “mixed economy” and “markets” until the 1980s, even though they had practised reformist social democratic economic and employment policies in various government constellations from the 1920s onwards. The SDP’s and SAP’s economic planning idea was influenced by Austro-Marxism, Kautskyanism, “functional socialism” and logical empiricism. This meant combining the virtues of practical empirical rationalism and the horizon of democratic economic regulation in order to distil capitalist power relations and communist command economy into pure democratic socialism.

The increasing power of financial capitalism was recognised in the 1980s. Therefore, Vartianen’s notion that strong union influence on economic policy explains the difficulties of Sweden’s and the SAP’s economic policy only if workers’ collective rights are considered secondary to a successful economic performance\(^{76}\). According to Esping-Andersen, “the more heterogenous ‘post-industrial’ need structure” of the citizens compelled “social democracy to depart from its traditional universalism”.\(^{77}\) However, this post-modernist argument to explain austerity measures and flexibilisation through emerging postmodernism is a circular argument. It does not take into account the impact of the deep structure of economy to social development.

Whereas the majority of Finland’s Social Democrats surrendered to global capitalism

\(^{70}\) Pontusson, Limits of Social Democracy, 127–153.

\(^{71}\) Socialdemokraternas partiprogram 1990; Periaateohjelma 1987.


\(^{74}\) Protokoll B: Måndag 17 september; Tisdag 18 september; Socialdemokraternas 31:a kongress 15–21 september 1990 (Stockholm: Socialdemokraterna, 1990), B 176–B 179.

\(^{75}\) SAP VU, 18 August 1989, 10, 12; Socialdemokraternas partiprogram 1990; Periaateohjelma 1987.


and underlying economic theories in the 1990s, Prime Minister Ingvar Carlsson (SAP) still wanted to bring back the political control of economic policy after capital outflow had imposed his government to introduce an austerity-driven economic crisis pact in 1990. He urged the social democrats to find global alternatives to mainstream economics. Connecting the need to transform global power relations with the future success of social democracy echoed, according to Carlsson, the idea of the NIEO a decade earlier.

The undeniable observation is that the Nordic social democrats’ turn towards the rising middle-classes in the late 20th century did not compel them to abandon attempts to expand democratic economic regulation and universal welfare states. This was the case even though the goal became more difficult to achieve as the power of global capitalism increased simultaneously with the potentially deepening conflict of interests between the growing female-dominated service sector employees (public and private) and the declining male-dominated industrial workers.

Eagleton’s analysis was that losing an attractive social vision made the Left vulnerable to alternative worldviews in the hearts and minds of people as had happened to German Romanticism in the 19th century and fascism in the century after. This may be a competent explanation in the world today after right-wing populism and its identity politics have strongly challenged social democracy. One can argue that Nordic social democrats paradoxically adopted individual postmodernism, embraced capitalism and concentrated on national economic interests exactly in an era when increased capital power would have required harder resistance, intensified state economic activity and uncompromising global labour solidarity.

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