

A CAUTIONARY TALE



Reception of the Swedish Wage-Earner Fund Debate in Finland

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Nordic labour movements and social democratic parties have throughout their history been well connected with each other and exchanged ideas and experiences of social and political reforms. In the conventional Finnish narrative of building the welfare state, Sweden and its social democratic government have provided an example in issues such as universal basic education, labour market policy and pension systems. In general, Finnish elites often sought inspiration from more ‘advanced’ countries when preparing social and political reforms.¹ However, there have also been issues where the Finnish Social Democrats have not been eager to follow their Swedish counterparts. The question of collective wage-earner funds as a form of economic democracy and as owners of private enterprise in the 1970s and 1980s is a case in point. It aggravated the conflict between capital and labour in Sweden, which made the Finnish labour movement seek more moderate and cooperative solutions to this to-

pical political issue. In this article, I analyse the reception of the wage-earner fund debate in Finland and examine the process of finding a Finnish alternative. As main source materials, I utilise the programmes and statements of the Social Democrats and trade unions. I also take a glimpse at the centre-right and employer views as well as state committee reports.

The wage-earner fund debate was one of the biggest political conflicts of the 20th century in Sweden. The funds had the potential of collectivising private ownership, which made employers and centre-right parties ardent opponents of the proposal. The debate and its outcomes have been studied extensively from different perspectives. A common conclusion is that the growing conflict in labour market relations contributed to the transformation of the ‘Swedish model’ of tripartite bargaining towards a liberalised and decentralised economic regime.² However, the Finnish response to the debate has not been studied very thoroughly,

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- 1 Pauli Kettunen, “The Transnational Construction of National Challenges: The Ambiguous Nordic Model of Welfare and Competitiveness,” in *Beyond Welfare State Models: Transnational historical perspectives on social policy*, eds. Pauli Kettunen and Klaus Petersen (Cheltenham: Edward Elgar, 2011), 20–23, 30–31.
 - 2 Ilja Viktorov, *Fordismens kris och löntagarfonder i Sverige* (Stockholm: Stockholm University, 2006); Lars Ekdahl, *Mot en tredje väg: En biografi över Rudolf Meidner*, vol. 2, *Facklig expert och demokratisk socialist* (Lund: Arkiv förlag, 2005); Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century* (Cambridge: Cambridge University Press, 2002); J. Magnus Ryner, *Capitalist Restructuring, Globalisation and the Third Way: Lessons from the Swedish Model* (London & New York: Routledge, 2002); Svante Nycander, *Makten över arbetsmarknaden: Ett perspektiv på Sveriges 1900-tal* (Stockholm: SNS, 2002); Bo Stråth, *Mellan två fonder: LO och den svenska modellen* (Stockholm: Atlas, 1998); Jonas Pontusson, *The Limits of Social Democracy: Investment Politics in Sweden* (Ithaca: Cornell University Press, 1992).

and a comparison of the strategies of Finnish and Swedish Social Democrats in the 1970s and 1980s is also largely absent. The process leading to the 1989 legislation on ‘personnel funds’ in Finland has been described by labour market historians Markku Mansner and Tapio Bergholm³, but its connection to historical debates on economic democracy, and the transformation of social democracy has remained thin. In general, Swedish historiography has been more interested in political concepts and ideas such as economic democracy⁴, whereas Finnish research has more often concentrated on actors and events.⁵

Here, I will analyse the wage-earner fund debate in relation to other debates on economic democracy and in the context of ‘third way’ social democracy, which was taking shape in the period of global economic liberalisation after the mid-1970s.⁶ A shift towards market-oriented economic ideas and policies was witnessed in most Western countries. Its economic roots went back to falling profit

rates; the breakdown of the Bretton Woods currency regime in 1971; oil crisis; stagflation, and the failures of expansive economic policy. These problems gave credibility to ‘neoliberal’ policies, which advocated freer markets and a smaller public sector, hence discrediting collectivistic solutions such as the wage-earner funds.⁷

Dreaming of Democratised Ownership

The debate on wage-earner funds in Sweden was connected to a broader objective of democratising the economy and working life. ‘Economic democracy’ had been discussed periodically throughout the 20th century, and it has inspired reform proposals across the political spectrum.⁸ Economic democracy was a key concept especially for social democrats. It was part of a linear conception of democratisation, where political democracy would be followed by democratic decision-making in workplaces, the labour market and the whole economy.⁹ In the 1960s, economic democracy re-emerged

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- 3 Tapio Bergholm, *Tulopolitiikan aika*, vol. 2, *Laatua ja vapaa-aikaa: Suomen ammattiliittojen keskusjärjestö vuodesta 1977* (Helsinki: Suomalaisen kirjallisuuden seura, 2018); Markku Mansner, *Suomalaista yhteiskuntaa rakentamassa: Suomen työnantajain keskusliitto 1980–1992* (Helsinki: Elinkeinoelämän keskusliitto EK, 2005), 316–345.
 - 4 Anna Friberg, *Demokrati bortom politiken. En begreppshistorisk analys av demokratibegreppet inom Sveriges socialdemokratiska arbetareparti 1919–1939* (Stockholm: Atlas, 2012); Tim Tilton, *The Political Theory of Swedish Social Democracy* (Oxford: Oxford University Press, 1990); Leif Lewin, *Planhushållningsdebatten* (Stockholm: Almqvist & Wiksell, 1967); Ekdahl, *Mot en tredje väg*; Stråth, *Mellan två fonder*.
 - 5 As exceptions to the Finnish mainstream see e.g. Pauli Kettunen, *Poliittinen liike ja sosiaalinen kollektiivisuus: Tutkimus sosialidemokratiasta ja ammattiyhdistysliikkeestä Suomessa 1918–1930* (Helsinki: Suomen Historiallinen Seura, 1986); Pauli Kettunen, *Suojelu, suoritus, subjekti: Työsuojelu teollistuvan Suomen yhteiskunnallisissa ajattelu- ja toimintatavoissa* (Helsinki: Suomen Historiallinen Seura, 1994).
 - 6 Stephanie L. Mudge, *Leftism Reinvented: Western Parties from Socialism to Neoliberalism* (Cambridge, MA: Harvard University Press, 2018); Sami Outinen, *Sosiaalidemokraattien tie talouden ohjailusta markkinareaktioiden ennakointiin: Työllisyys sosiaalidemokraattien politiikassa Suomessa 1975–1998* (Helsinki: Into Kustannus, 2015); Jenny Andersson, *The Library and the Workshop* (Stanford: Stanford University Press, 2010); Jenny Andersson, *Between Growth and Security: Swedish Social Democracy from a Strong Society to a Third Way* (Manchester: Manchester University Press, 2006).
 - 7 Donald Sassoon, *One Hundred Years of Socialism: The West European Left in the Twentieth Century* (London: Fontana Press, 1996), 445–461; Johannes Lindvall, *The Politics of Purpose: Swedish Macroeconomic Policy after the Golden Age* (Göteborg: Göteborg University, 2004), 85–90, 94–100.
 - 8 Jan-Werner Müller, *Contesting Democracy: Political Ideas in Twentieth Century Europe* (New Haven & London: Yale University Press, 2011), 3–5; John Dunn, *Setting the People Free: The Story of Democracy* (London: Atlantic Books, 2005), 15–20.
 - 9 E.g. Friberg, *Demokrati bortom politiken*, 256–265.

on the political agenda. The Swedish Social Democrats began to emphasise economic democracy as a response to the ‘New Left’¹⁰ and growing trade union militancy. Radical trade unionists and young intellectuals considered Sweden a capitalistic, bureaucratic and unequal country, where many workers still suffered from exploitation and alienation. The Social Democrats answered this critique by promoting active state-led industrial policy and workplace democracy as a new means of subjecting capitalism under democratic control.¹¹ In the 1970s, Sweden issued new working life legislation, including laws on work environments, employee representation in company boards, and codetermination. The employers interpreted this as a deviation from the Swedish model of class compromise, which had relied on labour market agreements instead of legislation.¹² In Finland, the moderate Act on Cooperation within Undertakings was passed in 1978 after a labour market agreement. Its version of ‘enterprise democracy’ entailed mandatory negotiations in companies before major changes affecting the personnel.¹³

In the early 1970s, radical Swedish intellectuals and trade unionists raised profit-sharing and collective wage-earner ownership as a further means of economic democratisation. Collectively owned funds had been discussed earlier especially in Sweden and West Ger-

many. They had been proposed as technical tools for evening out business cycles and sectoral differences.¹⁴ Profit-sharing and employee-owned enterprises, in turn, were ideas born already in the 19th century and advocated by many liberal thinkers and politicians.¹⁵ A recurring difference between leftist and liberal models was that the former advocated collective and the latter individual ownership. Leftists argued that only collective ownership could give workers power over the economy, whereas liberals and conservatives spoke for individual stock-saving, which they called ‘owner democracy’ and ‘people’s capitalism’.¹⁶

Previous fund ideas had not led to significant reforms in any country, but the proposal by the Swedish Trade Union Confederation LO for wage-earner funds in 1975 gained relatively wide support, which forced the Social Democratic Party to consider it. The funds’ assets would have been collected by requiring all enterprises over a certain size to hand out, for example, 20% of their annual profits in the form of stock. The LO’s economists calculated that under certain conditions the wage-earner funds could gain control of major Swedish companies within some decades. This raised doubts among the social democratic leaders and increased resistance among employers and non-socialist parties, who deemed the funds plan to socialise the Swedish economy.¹⁷ The wage-earner fund proposal was internally

10 Kjell Östberg, *1968 – när allting var i rörelse* (Stockholm: Prisma, 2002).

11 E.g. Stråth, *Mellan två fonder*, 118–122; Pontusson, *Limits of Social Democracy*, 16.

12 Nycander, *Makten över arbetsmarknaden*, 337–353; Stråth, *Mellan två fonder*, 104–107.

13 Ilkka Kärrylä, “Kansallinen etu demokratian rajoituksena: Suomalaisten työnantajien retoriikka 1960- ja 1970-lukujen yritysdemokratiakeskustelussa,” *Historiallinen aikakauskirja* 114, no. 4 (2016): 445–457; Bergholm, *Tulopolitiikan aika*, 19–49; Mansner, *Suomalaista yhteiskuntaa rakentamassa*, 316–345.

14 Ekdahl, *Mot en tredje väg*, 101–104.

15 Herman Knudsen, *Employee Participation in Europe* (London: Sage, 1995), 14–21; Christer Lundh, *Den svenska debatten om industriell demokrati 1919–1924*, vol. 1, *Debatten i Sverige* (Lund: Studentlitteratur, 1987), 47–54.

16 Stig-Björn Ljunggren, *Folkhemskapitalismen: Högers programutveckling under efterkrigstiden* (Stockholm: Tidens förlag, 1992), 130–132, 136–143.

17 See footnote 3. For the original proposal see Rudolf Meidner, Anna Hedborg and Gunnar Fond, *Löntagarfonder* (Stockholm: Landsorganisation LO, 1975), 78–79.

difficult for the Social Democrats because it challenged the principle of ‘functional socialism’, which had been dominant in the party since the 1920s. According to it, the ownership of enterprises was not decisive for creating a socialist society, but different rights or ‘functions’ associated with ownership just needed regulation.¹⁸

Swedish employers and centre-right parties began a fierce campaign against wage-earner funds, claiming they would jeopardise freedom, democracy and economic growth in Sweden. This was connected to their general campaigns for economic liberalism since the crises in the 1970s.¹⁹ Before turning to oppose all types of funds, the Swedish Employers Association SAF had designed its own alternative in the so-called Waldenström report. It was voluntary, company-specific and based on individual stock-saving instead of collective ownership. The assets would be collected by a payroll tax instead of profit-sharing, investments could be made freely in the stock market, and personal shares could be withdrawn after a certain period.²⁰ The proposal resembled earlier ideas of people’s capitalism, and would under normal circumstances have been a desirable model for employers and centre-right parties.

The destiny of the wage-earner funds was affected by the political conflict and the Social Democrats’ period in opposition in 1976–1982. According to polls, the majority of Swedish people did not support the funds, and

the counter-campaigning of employers and centre-right parties was strong, especially before elections. The Swedish Social Democratic Party SAP did not let go of the fund idea but began to justify its benefits for capital formation and wage restraint instead of portraying it as a redistribution of economic power.²¹ After returning to power, the Social Democrats established five regional wage-earner funds in 1984, where companies had to pay 20% of their profits exceeding one million SEK. The funds did not give wage-earners significant power over the economy. Their share of ownership in single enterprises was limited to 8%, and they had to pay a 3% annual return on equity into the pension system, which restricted their growth.²² Like pension funds, they were passive portfolio investors that pursued healthy profits instead of steering investment toward social and structural goals.²³

Centre-right parties promised that, if they were to form a government, wage-earner funds would be abolished and their assets used for education and R&D.²⁴ Some social democrats were disappointed in the funds’ moderate realisation, whilst others noted positively that they were compatible with a market economy. Leftist commentators pointed out that the new stock-saving models had increased the wealth of many citizens but not promoted economic democracy.²⁵ Later analyses have made similar conclusions on wage-earner funds: their profitability was good, but they did not fulfil the

18 Gunnar Adler-Karlsson, *Funktionsocialism: Ett alternativ till kommunism och kapitalism* (Stockholm: Prisma, 1967); Ekdahl, *Mot en tredje väg*, 13–14, 304–306.

19 Viktorov, *Fordismens kris*, 220–224; Stråth, *Mellan två fonder*, 173.

20 *Företagsvinster, kapitalförsörjning, löntagarfonder: Rapport från en arbetsgrupp inom näringslivet* (Stockholm: Sveriges Industriförbund & Svenska arbetsgivareföreningen, 1976); Viktorov, *Fordismens kris*, 217–219.

21 *Framtid för Sverige* (Stockholm: Sveriges Socialdemokratiska Arbetareparti, 1981), 124–128.

22 Philip Whyman, “An Analysis of Wage-Earner Funds in Sweden: Distinguishing Myth from Reality,” *Economic and Industrial Democracy* 25, no. 3 (2004): 411–414; Pontusson, *Limits of Social Democracy*, 201–216.

23 Viktorov, *Fordismens kris*, 108–109; Ekdahl, *Mot en tredje väg*, 304–306, 313–314.

24 *Valmanifest 1985: Framtid i frihet* (Stockholm: Moderata samlingspartiet, 1985), <http://snd.gu.se/sv/vivill/party/m/v/1985>; *Ny kurs för Sverige* (Stockholm: Folkpartiet, 1985), <http://snd.gu.se/sv/vivill/party/fp/v/1985>.

25 Lennart Hagman, “Årtiondet då vi gick med +++++,” *Aftonbladet*, 9 December 1989, 16–17.

initial goals of economic democracy, macroeconomic stability and solidaristic wage policy very well.²⁶

Wage-earner funds turn into cooperation funds in Finland

Wage-earner funds were the most controversial issue in the field of economic democratisation. They challenged prevailing principles regarding the ownership of capital and the distribution of economic power. The debate on wage-earner funds was much more intensive in Sweden, but it was also in Finland the most obvious case of channelling a concept of economic democracy into a concrete policy proposal. Many began to consider new fund systems even a necessity for the democratisation of ownership. At the same time, ideas of other forms of democratic steering of capital and investment were gradually left in the background. Economic liberalisation, which began in the 1970s after the dissolution of the Bretton Woods currency regime and the first oil crisis, restricted the possibilities to steer and plan national economies. The development prompted social democrats to adopt more market-oriented Third Way policies, which focused on competitiveness and inflation containment rather than full employment.²⁷

In Finland, the debate on wage-earner funds began in 1978, after the question of enterprise democracy had been momentarily solved. In their 1978 congress, the Social Democratic Party (SDP) presented a roadmap for the 1980s. It stated the party's traditional objective of extending democracy into the economy.²⁸ The diffusion of power and ownership

in enterprises was an important democratic reform, and wage-earner funds were now portrayed as a viable tool for this goal. The SDP decided to investigate the fund idea, leaving open the possibility for a collective model that was discussed in Sweden.²⁹ In the late 1970s, interest towards wage-earner funds gradually increased. They were viewed, for example, as answers to the problems of technological development. If wage-earners gained more influence over automatised work, it could be harnessed to serve their interests instead of increasing unemployment and monotonous work.³⁰

In 1981, the Social Democratic congress received a report on wage-earner funds, concentrating especially on the developments in other European countries.³¹ Instead of the Swedish model of nationwide or regional trade-union-governed funds, the congress advocated company-specific 'cooperation funds'. Funds of this type had the risk of undermining wage-earner solidarity by favouring those working in profitable firms, but they were nevertheless believed to increase employee influence. In order to achieve this, they were to be collectively owned by the employees and their assets were to be used only for job-creation investments as well as research and development. The report argued that individual stock-saving schemes and bonus systems advocated by employers would only increase inequality and undermine collective wage agreements.³²

The replacement of 'wage-earner funds' with a new term was based on strategic considerations. The developments in Sweden and other Western European countries were

26 Whyman, "An Analysis," 429–430, 439–440; Pontusson, *Limits of Social Democracy*, 216–219.

27 Andersson, *Between Growth and Security*; Outinen, *Sosiaalidemokraattien tie*.

28 *Sosialidemokratian suunta: SDP:n tienviitat 1980-luvulle* (Helsinki: Suomen Sosialidemokraattinen Puolue (SDP), 1978), <https://www.fsd.uta.fi/pohtiva/ohjelmalistat/SDP/462>.

29 Ibid.

30 Bergholm, *Tulopolitiikan aika*, 166–178.

31 SDP Congress 1981, Motions, 67–70.

32 SDP Congress 1981, Motions, 74–75; Bergholm, *Tulopolitiikan aika*, 179–181.

closely followed³³, and when the fund issue took wind in Finland, the Swedish initiatives had already been geared in a more moderate direction. Opposition to the LO's proposal of wage-earner funds made the Finnish Social Democrats want to manoeuvre the issue into a scheme which could be negotiated with the employer side. As the ruling party in Finland, the SDP wanted to safeguard a consensus and cooperation with the private sector on economic policy, which was based on export sector competitiveness.³⁴ The Central Organisation of Finnish Trade Unions SAK, in turn, wanted to secure labour market cooperation, which had been damaged in Sweden when the SAF began to withdraw from centralised bargaining and tripartite bodies during the 1980s. Tripartite cooperation provided a significant means for the SAK to exercise its power, and was not to be risked for short-term gains.³⁵

The objective of avoiding conflict is evident in the SDP's statements. Prime Minister Kalevi Sorsa gave a conciliatory speech at the Finnish Business and Policy Forum EVA's meeting in 1983. Sorsa said that good relations between interest groups and the government should not be ruined as had happened in Sweden, but wage-earner funds should not be made taboo, either. According to Sorsa, the SDP's cooperation funds aimed at a model of capital formation within the market economy, which would promote employee influence as well as economic redistribution. Sorsa tried to legitimise cooperation funds to business representatives with their economic benefits by

arguing that dispersed ownership could give wage-earners an incentive to increase profitability instead of demanding immediate wage increases. He concluded by stating that fund solutions could be built only on a consensual basis.³⁶ This shows that the SDP wanted to avoid confrontation, even if it meant stepping back from their initial objectives and advocating a less ambitious model than had been realised in Sweden.

Trade unions propose various fund models

The SAK was not persuaded immediately to get behind the SDP's idea of cooperation funds. At its congress of 1981, the SAK did not advocate any specific fund model but commissioned a report on different options. Communist members criticised the wage-earner funds in general as a lukewarm version of people's capitalism, which did not represent 'true' democracy.³⁷ In general, however, Finnish communists were rather silent on wage-earner funds. The Finnish People's Democratic League SKDL, the joint party of communists and left-wing socialists, discussed the issue at the beginning of 1981 and preferred the Swedish proposals of collective nationwide funds.³⁸ However, later discussion on wage-earner funds was scarce among the far left.

It took the SAK's working group nearly four years, until February 1985, to prepare a report on wage-earner funds.³⁹ The report also discussed other means of promoting economic democracy, such as nationalisations

33 E.g. *Palkkatyöläinen* (PT), 18 April 1982, 13–14; PT, 13 September 1982, 8; PT, 27 September 1982; PT, 1 August 1983, 2.

34 Outinen, *Sosiaalidemokraattien tie*, 81–90.

35 Mansner, *Suomalaista yhteiskuntaa rakentamassa*, 322–336, 344–345.

36 Prime Minister Kalevi Sorsa: National economic, business economic and agreement policy starting points for Cooperation funds, EVA autumn meeting 19 December 1983, 4, Meeting minutes 1983–1986, EVA Archive, The National Archives of Finland (KA), Helsinki.

37 SAK congress protocol 1981, 96–98; Bergholm, *Tulopolitiikan aika*, 181.

38 Suggested measures for increasing economic democracy, 5 February 1981, Hde, Wage-earner fund working group 1980–1981, 1D1 SKDL Administrative division, SKDL archive, The People's Archives, Helsinki.

39 Bergholm, *Tulopolitiikan aika*, 182–183; PT, 21 January 1985, 6; PT, 4 February 1985, 7.

and codetermination practices.⁴⁰ The SAK's research secretary Peter J. Boldt explained to the SAK's board that this was an attempt to avoid the polarisation of the debate by pushing one specific model of wage-earner funds. Sweden was viewed as an alarming example in this respect, and the SAK wanted to initiate a broader debate on economic democracy.⁴¹ The strategy was in line with that of the SDP, which was evident in the report itself, despite the radical calls for the redistribution of power and wealth.

The SAK's report echoed the principle of functional socialism by arguing that work, not ownership, should be the ultimate source of democratic rights. In Norway, the trade union movement had even refused to promote wage-earner funds because it would have meant accepting ownership as a source of rights. However, since working life democratisation was progressing slowly, the SAK was willing to utilise the right of ownership to improve the status of wage-earners. As with the SDP's programmes, the report stated that ownership was an unevenly distributed and concentrated source of power. Its redistribution was justified by the values of equality, security and the right to participate in decisions concerning oneself.⁴² However, the SAK emphasised that it did not propose a transition to socialism or replacing the market economy but advocated a mixed economy between socialism and capitalism.⁴³ The SAK acknowledged the importance of economic efficiency but distinguished

its concept of efficiency from a capitalist one. Wage-earner funds were viewed as a means of channelling profits to productive investments instead of financial speculation, therefore promoting 'true' efficiency.⁴⁴

The SAK refrained from advocating any specific model of wage-earner funds; it merely presented different options to inspire further debate. The SAK acknowledged that the SDP had endorsed company-specific funds, and the report emphasised the benefits of trade union-governed funds, especially their better contribution to employment and solidaristic wage policy.⁴⁵ The SAK showed an ideological inclination toward the Swedish model of wage-earner funds, but overall focused pragmatically on what was considered achievable. The most viable method was to reach a collective agreement on the funds, which, due to employer opposition, significantly restricted the possible models.⁴⁶ Peter Boldt also explained this to the SAK's board: company-specific funds were not considered the best option, but they were "from certain points of departure the only option."⁴⁷ The report ended in a consensus-seeking tone. It argued that "economic realities" spoke in favour of wage-earner funds and economic democracy, but "political attitudes" were true obstacles.⁴⁸

Economic legitimation for the funds and the practical obstacles in their realisation continued to play a large role in the SAK's rhetoric.⁴⁹ In the SAK congress of 1986, many participants were willing to pursue an exten-

40 *Taloudellinen demokratia ja palkansaajarahastot* (Helsinki: Suomen ammatilittojen keskusjärjestö (SAK), 1985), 3.

41 SAK board meeting minutes, 4 February 1985, 19, SAK Archive, The Labour Archives (TA), Helsinki.

42 *Ibid.*, 1, 11, 13.

43 *Ibid.*, 3, 6, 30.

44 *Ibid.*, 2.

45 *Ibid.*, 5–7, 20–21.

46 *Ibid.*, 23, 80–82.

47 SAK board meeting minutes, 4 Mar 1985, 41, SAK Archive, TA.

48 *Ibid.*, 82.

49 SAK congress protocol 1986, 183–184.

sive reform more in tune with the Swedish model. They pointed out that company-specific funds could lead to wage-earners turning against each other.⁵⁰ Instead of concrete actions, the congress statement obliged the SAK to “develop and promote economic democracy through collective agreements and legislation.”⁵¹ The proposals of the SDP and trade unions had now consolidated around the idea of company-specific but collectively owned cooperation funds. The SAK also came up with a new idea of nationwide education and training funds, but the employer side did not welcome this proposal.⁵²

Finnish white-collar confederations were also in favour of creating new funds, and they suggested concrete models earlier than the SAK. The 1981 congress of the Finnish Confederation of Professionals STTK advocated company-specific cooperation funds as proposed by the SDP.⁵³ The Confederation of Salaried Employees TVK, which represented, for example, public officials, was more radical in its statements and strongly supported the Swedish fund proposals. In 1984, the TVK accepted company-specific funds, but a nationwide or regional model like the one implemented in Sweden was considered a more desirable option. The TVK stated that company-specific funds were not solidaristic and placed employees of different companies in different positions.⁵⁴

“Funds would not solve the problem”

Many Finnish employers and centre-right politicians in the early 1980s remained favourable towards certain forms of economic democracy, but they generally opposed wage-earner funds.⁵⁵ As in Sweden, they strongly disliked the idea of modifying ownership structures in private companies and equated this with socialism. The Employer Confederation STK’s stance on wage-earner funds was based on the right of private ownership and the principle: “we do not negotiate on the ownership of our member companies.”⁵⁶ In public debate, employers had certain standard criticisms against too extensive or wrongly implemented employee influence: it would either fail to motivate employees and increase their efficiency, or it would in fact be detrimental to efficiency. The rhetoric resembled that of Swedish employers but lacked their strong appeal to the threat of socialism and their ideological defence of Western liberal democracy. In 1978, the STK’s chair Stig Hästö argued that work motivation and efficiency were the main objectives of economic democracy. He said that new solutions could be considered “if they serve the common good.” However, Hästö wondered why wage-earner funds had become the main solution in public debate, as they would be remote for individual employees and thus poor for motivation.⁵⁷

50 SAK congress protocol 1986, 198–199.

51 *Ibid.*, 286.

52 Bergholm, *Tulopolitiikan aika*, 447–448; Mansner, *Suomalaista yhteiskuntaa rakentamassa*, 213–216.

53 STK Congress Statement 1981, Cb:5, STTK congress protocol 1981, STTK archive, The Archives of Salaried Employees, Helsinki.

54 *Palkansaajarahastoista puheenollen!* (Helsinki: TVK, 1984); Planning chief Iikko B. Voipio: Wage-earner funds, Report for TVK congress 1978, He 8, Documents on the wage-earner fund question 1978–1992, TVK archive, The Archives of Salaried Employees, Helsinki.

55 E.g. PT, 1 June 1981, 12.

56 STK board meeting, 10 September 1981, appendix 4, 1969, Board meeting minutes 1981–1983, STK Archive, Central Archives for Finnish Business Records (ELKA), Mikkeli.

57 *Teollisuus*, 9/1978, 12–13.

Instead of binding legislation on economic democracy, employers' strategy was to emphasise flexible and company-specific solutions. Hästö believed that these provided the best way for increasing both profitability and individual motivation. According to him, new organisational arrangements were not necessary, but "by making communication and participation more efficient, the personnel would learn to understand better economic causes and effects."⁵⁸ This was the broader strategy of Finnish businesses: focusing the debate on the good objectives of the funds and proposing already existing means for achieving them. For example, motivation for work could be more efficiently promoted with performance-based remuneration, and corporate finance by developing the stock markets.⁵⁹

The development of wage-earner funds in Sweden was closely followed by employers and their publications.⁶⁰ In employer rhetoric, Sweden was not the ideal society but a cautionary tale of the overstretched aspirations of trade union power, which had damaged labour market relations.⁶¹ The articles pointed out that Swedish employers believed the funds made the country unattractive to private investments and would, thus, be destructive to Sweden's economy and employment. They also referred to survey results showing that only a minority of Swedish people in general and even members of trade unions and the

Social Democratic Party supported wage-earner funds.⁶²

Employers criticised Swedish plans by contrasting wage-earner funds with 'economic facts.' The STK newspaper *Teollisuusviikko* talked about the "Swedish disease" and argued that wage-earner funds were an example of tightening norms and expanding the public sector in a way that ignored economic realities.⁶³ The newspaper also argued, following the rhetoric of Swedish employers, that the growth of the public sector had resulted in a growing tax burden and the diminishing of entrepreneurial activity.⁶⁴ When the Swedish Social Democrats had returned to office and were about to realise the wage-earner funds in autumn 1983, *Teollisuusviikko* reported on employers' demonstrations on 4 October.⁶⁵ The STK director Heikki Konkola repeated that organisations could not bargain about the ownership of companies but assured that Finnish employers remained willing to promote the reasoned development of cooperation in working life.⁶⁶

Finnish centre-right parties assumed a positive attitude to solutions along the lines of 'people's capitalism'. Key words in their models were voluntary basis and individualism, and they resembled the proposals of the Swedish centre-right parties and the Waldenström report. The National Coalition Party NCP first suggested share issues to personnel and

58 "Palkansaajarahastot Ruotsissa mahdollisia aikaisintaan 1982," *Suomen Sosialidemokraatti* (SSd), 3 March 1981.

59 Tapani Saukkonen, "The work of the working group investigating economic democracy", Meeting of the Central Committee of Finnish Industry, 20 December 1984, 16, Meeting minutes 1981–1985, Archive of the Central Committee of Finnish Industry, ELKA.

60 Ibid.

61 *Yritystalous*, 11/1982, 3.

62 E.g. *Teollisuus*, 7–8/1979, 7; *Teollisuusviikko* (TV), 22 October 1981, 9; TV, 25 March 1982, 8; TV, 3 June 1982, 8.

63 "Palkansaajarahastot ja 'Ruosin tauti'," TV, 24 September 1981.

64 "Julkisen kasvun vaarat," TV, 29 October, 1981.

65 TV, 8 September 1982, 10; TV, 22 September 1982, 16.

66 TV, 13 October 1983, 12.

establishing company-specific funds where employees could acquire personal holdings.⁶⁷ The Centre Party was along the same lines and called for company-specific and voluntary economic participation systems for employees. The party explicitly denied support for collective wage-earner funds.⁶⁸ The economic viewpoint was the standard legitimation for funds in the rhetoric of the centre-right parties. Employee participation and motivation were usually mentioned but appeals to democracy were scarce.

“Productive participation” through voluntary personnel funds

In March 1986, Kalevi Sorsa’s government appointed a committee to examine “new forms of cooperation to promote economic democracy and competitive production.” The committee named itself as the Participation Systems Committee (*Osallistumisjärjestelmäkomitea*).⁶⁹ The committee was chaired by Matti Pekkanen, an experienced labour market negotiator and employer union leader. Members included corporate CEOs and managers as well as social democratic economists.⁷⁰ The STK initially opposed appointing a “wage-earner fund committee” but found it better to participate than remain outside.⁷¹ It soon became clear that the committee would

not pose a threat to the employers. The STK’s board was informed that the committee chair Matti Pekkanen would emphasise voluntary basis and treat the participation systems as an issue broader than wage-earner funds.⁷²

The Participation Systems Committee favoured the concepts of participation and cooperation instead of economic democracy. In line with the ongoing structural change debate, the committee was supposed to consider the effects of technological change, which required improved cooperation to promote adaptation.⁷³ As usual, international comparison was central in the committee’s work, and the common beliefs of Finland being a latecomer in employee participation were expressed.⁷⁴

The committee’s first report was entitled *Productive Participation in a Renewing Working Life*.⁷⁵ The committee concentrated on the ‘micro level’ of economic democracy, participation in the workplace. This had become dominant during the 1980s, when calls for democratic macroeconomic steering were fading. The committee assessed different fund and profit-sharing models mostly with regard to their effects on economic efficiency, not from the viewpoint of democracy. Other models than company-specific funds were not seriously discussed, probably because they

67 National Coalition Party’s Labour and trade union policy program 1984, <https://www.fsd.uta.fi/pohtiva/ohjelmalistat/KOK/92>.

68 Center Party Target Program 1980, <https://www.fsd.uta.fi/pohtiva/ohjelmalistat/KESKP/234>.

69 *Komiteanmietintö*, 1987: 40, *Tuottava osallistuminen uudistuvassa työelämässä* (Helsinki 1987), 1–2; Ville Yliaska, *Tehokkuuden toiveuni: Uuden julkisjohtamisen historia Suomessa 1970-luvulta 1990-luvulle* (Helsinki: Into kustannus, 2014), 223.

70 *Tuottava osallistuminen uudistuvassa työelämässä*, 2; Mansner, *Suomalaista yhteiskuntaa rakentamassa*, 329–331.

71 STK board meetings, 28 August and 1 October 1985, 1970, Board meeting minutes 1984–1986, STK Archive, ELKA; Yliaska, *Tehokkuuden toiveuni*, 223.

72 STK board meeting, 15 October 1987, 1971, Board meeting minutes 1987–1988. STK Archive, ELKA.

73 Appointment of a committee to investigate the prospects of new forms of cooperation to promote economic democracy and competitive production, I.1, Participation Systems Committee’s Archive, KA.

74 Heikki Oksanen, “Wage-earner participation in decision-making within enterprises,” 24 January 1987, I.3, Sent letters, Participation Systems Committee’s Archive, KA.

75 *Tuottava osallistuminen uudistuvassa työelämässä*, I.

were considered politically impossible.⁷⁶ The committee noted that the Swedish model of regional funds had been unpopular and had not really increased employee participation.⁷⁷

The committee report proposed voluntary, company-specific ‘personnel funds.’ This resembled the centre-right and employer models in other countries, such as the SAF’s Waldenström report in Sweden. The funds were to be financed from profits and employees could acquire individual holdings, which were to be reimbursable after a waiting period. The funds were to make investments in the stock market and use their assets for collective purposes, such as education.⁷⁸ The reforms were believed to improve employees’ motivation and promote their awareness of the company’s interests, which were the key to successful structural change.⁷⁹ The funds’ democratic aspect was that they would allow personnel to participate in decision-making and balance power and responsibility. They would enable altering ownership structures but not change the prevailing economic system.⁸⁰

The wage-earner side was not pleased with the committee’s proposals. The SAK found that they required thorough examination but did not dismiss them outright. It insisted that the framework was to be negotiated between the labour market organisations to avoid gro-

wing wage differences and inequality.⁸¹ All wage-earner organisations stressed that new practices should not undermine collective wage agreements.⁸² The TVK still preferred nationwide funds but was prepared to support company-specific ones if they did not increase income differences.⁸³

The Social Democrats were more receptive to the committee’s ideas, even though they were considered a compromise far from the party’s original objectives.⁸⁴ The SDP wanted to proceed with the matter in the newly formed coalition government with the NCP, which had become a strong advocate for personnel funds. The SDP had already got its way in other working life reforms, such as strengthening the protection against dismissal.⁸⁵ The result nevertheless exemplifies SDP’s pragmatic attitude. It had become customary after less than satisfactory reforms to remind that the SDP could not reach its ambitious goals with any quick solutions. This was becoming common within European left-wing parties. As electoral support was becoming more precarious, reforms had to be conducted within the limits acceptable to centre-right parties.⁸⁶

Employers and non-socialist parties considered personnel funds suitable for topical challenges, especially because of their voluntary and company-specific nature that al-

76 E.g. appendices from committee meetings, 2 and 19 December 1986 and 5 January 1987, I.2, Participation Systems Committee’s Archive, KA.

77 *Tuottava osallistuminen uudistuvassa työelämässä*, 9–11.

78 *Tuottava osallistuminen uudistuvassa työelämässä*, 18–22, 40, 90–101; Yliaska, *Tehokkuuden toiveuni*, 225–226; Mansner, *Suomalaista yhteiskuntaa rakentamassa*, 331–332.

79 *Tuottava osallistuminen uudistuvassa työelämässä*, 40.

80 *Ibid.*, 88.

81 SAK’s statement on the report of the Participation Systems Committee, STK managing group meeting, 9 February 1988, appendix 3, STK Archive, ELKA.

82 Mansner, *Suomalaista yhteiskuntaa rakentamassa*, 333–334.

83 Statement on the Personnel fund law draft of 25 August 1988, 29 September 1988, He 8, Documents on the wage-earner fund question 1978–1992, TVK archive, The Archives of Salaried Employees, Helsinki.

84 SSd, 4 December 1987; PT, 16 January 1989; Heikki Oksanen, ”Mietintö taloudellisesta demokratiasta ja tuottavasta osallistumisesta,” *Sosialistinen Aikakauslehti*, 4/1987, 30–35.

85 Outinen, *Sosiaalidemokraattien tie*, 218–220.

86 Sassoon, *One Hundred Years of Socialism*, 731–742.

lowed for flexibility.⁸⁷ Unlike in the case of many other reforms, the STK now argued that the proposals of the committee were not to be made issues of negotiation but be carried through in parliament as everyone agreed on their objective.⁸⁸

People's capitalism instead of collective ownership

The law proposal on personnel funds was given to the parliament in April 1989. The NCP minister Ilkka Kanerva presented it by appealing to the demands of the current era, which required constructive cooperation. Kanerva anticipated a move toward more decentralised bargaining and local agreements. He thus presented a historic picture, which had been common to employers for some decades: flexibility and harmonious cooperation as the characteristic of progress in the labour market.⁸⁹ The idea of economic democracy thus gave way to flexible cooperation between employers and employees. The Centre Party's Eeva Kuuskoski-Vikatmaa called the personnel funds a form of "direct participation" in workplaces.⁹⁰ However, the funds did not actually increase direct participation in decision-making. Their governance was representative, so the most 'direct' aspect for employees was the share of profit that was saved in the fund. Like the concept of people's capitalism, participation in this case referred primarily to the distribution of wealth and income instead of economic power.

Some Social Democratic MPs were pessimistic about the progressive nature of the personnel funds. Jukka Gustafsson argued that only time could tell the significance of the voluntary law. Gustafsson considered it important that part of the fund capital would be collective, as otherwise the system would merely represent people's capitalism.⁹¹ The most critical stances were heard from Communist MPs, who argued that personnel funds were a "smokescreen of democracy," which only introduced a form of profit-related pay and weakened the trade union movement.⁹²

The Act on Personnel Funds gave companies with at least 30 employees the possibility to establish a fund after negotiating with their personnel. The assets were to be collected from profits and invested in the stock market or the home company. It was possible to reserve some for collective purposes, such as training. Against the wish of the wage-earner organisations, however, this was not made mandatory.⁹³ Personal holdings could be withdrawn from the funds after 10 years. The trade union movement still believed that this risked the funds becoming only a means for bonus payments, which undermined the collective wage policy. This fear had also been expressed in the LO's initial proposal for wage-earner funds in Sweden. The Finnish fund model followed the German and Danish proposals the LO wanted to avoid, but its collective element was even weaker. In theory, personnel funds gave the possibility to raise collectively owned capital and increase wage-earner ownership in private companies, but practice was quite

87 STK board meeting, 10 December 1987, 1972, Board meeting minutes 1987–1988, STK Archive, ELKA.

88 STK managing group meeting, 8 December 1987, Managing group minutes, STK Archive, ELKA; "Suuntaa osallistumiselle," TV, 4 February 1988.

89 Records of the Finnish parliament 1989, 1067–1068.

90 *Ibid.*, 1125.

91 *Ibid.*, 1069–1070.

92 Social committee statement (SoVM) 15/1989, Finnish parliamentary documents 1989, 8–11.

93 Act on Personnel Funds, Säädos 814/1989, Henkilöstöraholaki, <http://finlex.fi/fi/laki/alkup/1989/19890814?search%5Btype%5D=pika&search%5Bpika%5D=henkil%C3%B6st%C3%B6raholaki>.

different. As *Teollisuusviikko* wrote, for employers, the system was mainly a new means of employee remuneration.⁹⁴ However, some social democratic commentators were optimistic. Aimo Kairamo believed that personnel funds promoted employee influence and could serve as the “first step toward economic democracy.”⁹⁵ The same metaphor had been used already after the Cooperation Act over 10 years earlier.

The committee chair Matti Pekkanen encouraged employers to establish personnel funds. He wondered why Finnish companies were so cautious, as for him, economic participation would be “the most important event in our working life since the adoption of the collective bargaining system.”⁹⁶ Despite Pekkanen’s visions, employees never experienced the funds as a significant participation system, and interest was also modest on the employer side. In 1991, there were 40 personnel funds with 100,000 affiliated employees. They paid out profit bonuses amounting to half a week’s salary on average, and part of the profits were invested for longer periods. However, as the Finnish economy soon faced a severe crisis, profit-sharing mostly stopped for a few years, and for the next two decades the number of personnel funds remained on the level of the early 1990s. Employers began to favour individual performance bonuses, and in 1994, as many as one-fifth of industrial employees had received them.⁹⁷

Conclusion and discussion

The Finnish working life reforms of the late 1980s were much more moderate than the wage-earner funds realised in Sweden. The reforms were adapted to the demands of the market economy and global competition, and they remained mostly acceptable to Finnish businesses. The voluntary nature of personnel funds was a case in point. They were in line with what business and employer representatives had already proposed for decades under labels such as owner democracy and people’s capitalism. The concept of economic democracy did not figure strongly in the final debates concerning personnel funds, even though they realised practical applications of the concept that had been discussed for over ten years. This shows that increasing employee influence in workplaces or their collective ownership had become politically difficult in other than consultative and voluntary forms. The trend was similar in other countries: in Denmark, the last social democratic proposals for even voluntary profit-sharing through certain types of funds were declined by the conservatives and liberals.⁹⁸

During the 1980s, collective ownership thus became less viable as a form of economic democracy. In Sweden, Carl Bildt’s bourgeois government appointed in 1991 fulfilled the promise to abolish the wage-earner funds. Since then, using collective ownership to other ends than maximising capital accumulation has not been a viable political objective. In Sweden, there has been the occasional debate

94 TV, 23 November 1989, 9.

95 Aimo Kairamo, *Tärkeintä on liike: Demokraattisen sosialismin edellytykset ja sosialidemokratian uudet tehtävät* (Helsinki: Tammi, 1989), 107–108.

96 TV, 7 September 1989, 4.

97 Mansner, *Suomalaista yhteiskuntaa rakentamassa*, 335–336; Matti Vartiainen and Christina Sweins, *Henkilöstörahasot Suomessa: Toimivuus ja kannustevaikutukset* (Helsinki: Työministeriö, 2002), 12–17, 48–51, 63–65; Kauppinen, Liisa, ”Yrityksissä yleistyy nyt vanha palkitsemistapa, joka tekee työntekijöistä sijoittajia,” *Helsingin Sanomat*, 1 July 2019, <https://www.hs.fi/talous/art-2000006159032.html>.

98 Niels Dalgaard, *Ved demokratiets grænse: Demokratisering af arbejdslivet i Danmark 1919–1994* (Copenhagen: Selskabet til Forskning i Arbejderbevægelsens Historie, 1995), 247–252.

on the active use of pension funds for social purposes, but the fear of endangering future pensions has effectively silenced the conversation.⁹⁹ The left has encouraged small-scale worker ownership, such as cooperatives, but thus far they have not been a significant force of transforming capitalism.¹⁰⁰ The private sector has addressed social and environmental issues and emphasised the importance of considering all stakeholders along with shareholders. However, the rise of concepts such as 'corporate social responsibility' and 'corporate citizenship' has mostly meant introducing voluntary means of business self-regulation.¹⁰¹

To a certain degree, the wage-earner fund debates in Sweden and Finland were a victory for the 'functional socialist' interpretation of economic democracy, which avoided intervening with private ownership. However, even the functional socialist ideas were transformed, as the room for state intervention in the economy became smaller and as the extension of workplace democracy meant mostly consultative cooperation. Democracy became a less relevant concept in the context of the economy and working life. Actors across the political spectrum were adopting a mode of thought, where apolitical enterprises would be governed by competent managers, while employees could be given operational power in their own work and possibly a share of the economic results without strategic power. Asymmetric power relations were not perceived as a major problem. Instead, there was strong belief in the converging interests of capital, labour

and the nation in the context of a globalising economy and structural renewal, where only the most efficient and profitable industries, employees and nations would prevail.¹⁰²

Comparing Finland and Sweden during the transition toward a more liberal economy is interesting because the latter experienced a major political struggle on wage-earner funds that concerned both the economy and ideology. In Finland, by contrast, the rightward shift in politics and ideology took place without such conflict. The Finnish Social Democrats modified their economic policy in the same direction due to the economic crisis, but they did so before their Swedish counterparts and in cooperation with business organisations.¹⁰³ Finnish post-war political culture and its tradition of coalition governments can in general be regarded as less ideological and polarised than the Swedish one, especially since the inclusion of communists and the beginning of incomes policy in the 1960s. However, the countries' paths were not predestined. The context and process of political change were different in Finland and Sweden for many reasons, but the ideological and political results were similar: the democratic steering of the economy was relaxed, and the expansion of the public sector halted. In this light, it seems that the conflict over wage-earner funds was not a necessary factor in the Swedish change either even though it gave the development distinct features. As Bo Stråth has put it, the wage-earner fund debate was not a cause for deep changes in society, but rather a "sym-

99 Anders L. Johansson and Lars Magnusson, *LO – 1900-talet och ett nytt millennium* (Stockholm: Atlas, 2012), 374–378.

100 Mary Hilson, *The International Co-operative Alliance and the Consumer Co-operative Movement in Northern Europe, c. 1860–1939* (Manchester: Manchester University Press, 2018).

101 Teivo Teivainen, *Yritysvastuun umpikuja* (Helsinki: Kalevi Sorsa -säätiö, 2013); Pauli Kettunen, *Globalisatio ja kansallinen me: Kansallisen katseen historiallinen kritiikki* (Tampere: Vastapaino, 2008), 183–208.

102 Luc Boltanski and Ève Chiapello, *The New Spirit of Capitalism* (London & New York: Verso, 2005), 365–372, 499–506.

103 Outinen, *Sosiaalidemokraattien tie*.

bol and a catalyst.”¹⁰⁴ For Finnish Social Democrats, trade unions and employers, it was a symbol that served as a cautionary tale of political conflict. For its part, this example improved the prospects of cooperation and consensus in economic and labour market policy along the market-oriented lines adopted throughout the developed world.

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104 Stråth, *Mellan två fonder*, 207–209.

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