The triumph of pragmatism: Nationalisation and privatisation in Sweden

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The Triumph of Pragmatism: Nationalisation and Privatisation in Sweden*

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At least as far as Western Europe is concerned, conventional wisdom associates the nationalisation of industry with left-wing government and privatisation with right-wing government. From this perspective, Sweden represents something of a paradox. In no other West European country has a reformist working-class party (or any other type of left party) held government office for so long; yet public ownership of industrial/commercial enterprise is quite limited by comparative standards. While public expenditures increased greatly as a proportion of Sweden’s Gross Domestic Product, State enterprise barely kept up with the expansion of the economy as a whole during the Social Democratic government tenure of 1932–76. The paradox here becomes particularly pronounced when we turn to the period since 1976. For the so-called “bourgeois parties”—Liberals, Centre, and Conservatives—nationalised more industry during their first three years in office than the Social Democrats had done in the previous 44 years. And since they returned to office in 1982, the Social Democrats have undertaken several privatisation measures.

Why have the Swedish Social Democrats engaged in privatisation? And how do their privatisation measures differ from those of Conservative governments in, say, Britain or France? The following analysis seeks to address these questions as well as to unravel the apparent paradox of political left-wing dominance and limited public ownership. It will be argued that the interaction of political constraints and strategic choices explains the small size of the State enterprise sector in Sweden. On the one hand, the Social Democrats have not been as dominant as commonly supposed, and have never been in a position to impose large-scale nationalisation measures. On the other hand, their approach to managing the economy and reforming society has played down public ownership.

In the course of the inter-war period, the Swedish Social Democrats came to adopt an essentially pragmatic attitude to nationalisation, treating it as one of many means to promote full employment and industrial efficiency. In a similar vein, the Social Democrats have adopted a pragmatic attitude to privatisation in the 1980s. As will be seen, Swedish-style privatisation has little to do with the idea of “popular capitalism”. In a couple of instances, the government has sold its holdings to private corporations. The other cases of privatisation have involved new share issues by State-owned corporations. In these cases, a large portion of newly issued shares was reserved for institutional investors expected to assume a long-term ownership role, and the government retains a controlling interest. Another striking feature of privatisation in Sweden is the lack of publicity and political controversy.

Tracing the politics of State enterprise since the 1930s, most of the following presentation follows a chronological order. But it begins with some preliminary remarks about the organisation and scope of State enterprise in Sweden.
PRELIMINARY OVERVIEW

There are three types of public enterprise in Sweden: so-called commercial State agencies (affärsverk), corporations owned by the State, and corporations owned by local authorities. The following analysis is restricted to "State enterprise". In other words, it disregards corporations owned by local authorities: such corporations numbered roughly 1,200 in 1983, and were primarily engaged in activities such as housing, transport, energy, water supply, and refuse disposal. They are typically quite small, and their overall significance for employment and output is limited.

There are seven commercial State agencies: the Post Office, the Board of Telecommunications, the State Railways, the Board of Civil Aviation, the Hydroelectric Power Board (which accounts for 45 per cent of electricity generation), the Forest Service (which maintains State-owned forests), and the National Industries Board (which produces material for the armed forces). Many of the activities of these agencies are carried out by corporations that they own. Indeed, the National Industries Board is nothing but the co-ordinator and supervisor of a series of State-owned corporations. Like the other commercial State agencies, it controls subsidiary corporations through a holding company.

Corporations owned by the State (or by local authorities) are governed by the same corporate law as corporations owned by private individuals or institutions. By contract, commercial State agencies fall within the legal framework of public administration. This means, among other things, that the public has right of access to their paperwork, and that their decisions are subject to appeal in administrative courts (with the Cabinet being the final court of appeal). The commercial State agencies differ from other State agencies in that the fees that they charge are supposed to, and typically do, cover their expenditures. They also enjoy greater autonomy vis-à-vis the government (Cabinet and ministers). Whereas the government budget itemises the expenditures of other State agencies, it specifies only the aggregate balance of revenues and expenditures for commercial State agencies.

There is no clear and consistent distinction between the activities of commercial State agencies and State-owned corporations. Commercial State agencies enjoy legally sanctioned monopoly status, with respect to the provision of certain services, but in many areas they operate under competitive conditions, and some State-owned corporations also enjoy monopoly status (e.g., the Liquor Board Corporation and the National Lottery Corporation). Since 1947, all new State enterprise has been organised according to the corporate principle.

In 1985, the central government directly held equity shares in 8 joint-stock credit institutions, and 164 non-financial corporations. The government held a controlling interest in roughly 100 non-financial corporations of some size, and was the sole owner in the vast majority of these cases. State-owned corporations and commercial State agencies in turn held equity shares in a total of 746 corporations. Of the latter figure, 332 were subsidiaries of commercial State agencies, and 192 of these were actively engaged in the production of goods or services.

According to an IMF estimate, non-financial State enterprise accounted for 6 per cent of Sweden's Gross Domestic Product in 1978–80, compared with 14.5 per cent for Austria (1978–79), 11.9 per cent for France (1974), 10.9 per cent for Britain (1978–81), 10.2 per cent for West Germany (1978–79), 7.8 per cent for Italy (1978), and 3.6 per cent for the Netherlands (1971–73). In 1983, the total turnover of Swedish State enterprise was 150 billion Skr, and total employment stood at 317,000. The commercial State agencies and their subsidiaries accounted for 32.5 per cent of turnover and 49 per cent of employment. Including subsidiaries of the Forest Service and the National Industries Board, State-owned corporations engaged in mining and industrial production had a combined turnover of 45 billion Skr, with 80,583 employees in 1983, representing 9.6 per cent of the turnover of Swedish industry and 9.5 per cent of industrial employment.

THE POLITICS OF COMPROMISE

Clearly, the Swedish case does not bear out the conventional association of public ownership with left-wing government. With its long experience of left-wing government, Sweden has a smaller State enterprise sector than many countries in which the left has been much weaker. As suggested at the outset, two sets of considerations are crucial in unravelling this apparent paradox: on the one hand, the Swedish Social Democrats have not been as dominant as commonly supposed; and, on the other, their approach to managing the economy and reforming society has played down public ownership.

The Social Democrats have actually held a parliamentary majority of their own on only two occasions (1940–44 and 1968–70). Though Communist support has typically sufficed to get government legislation through Parliament, the Social Democrats have been wary of going it alone with the Communists, and have preferred to strike deals with the parties of the centre (the Liberals and the Centre Party, known as the Agrarian Party before 1957). In the inter-war period, the Social Democrats effectively abandoned their 'doctrinaire' commitment to nationalisation (or 'socialisation', as they preferred to call it), and adopted a 'pragmatic' approach to the question of ownership.

Having previously treated public ownership as an end in itself, they now came to conceive it as a means, indeed, as only one of many means to other ends—full employment, real-wage increases and, more vaguely, democratic control of the economy. Whether or not public ownership was the most appropriate means to these other ends would have to be decided in each particular instance.

The Commission of Inquiry appointed by the first Social Democratic minority government in 1920 to look into the socialisation of industry marks the beginning of this ideological reorientation, and in 1944 the new party programme adopted its completion. The so-called 'Socialisation Commission' deliberated at great length on the ways in which ownership might be transferred to public hands, and how public ownership might be organised, but it made no apparent progress towards legislative recommendations, and ultimately ceased to meet altogether.

When the Social Democrats consolidated control of the government in the 1930s, they opted to dismantle rather than reactivate the Socialisation Commission. In any case, the Social Democrats' reliance on the support of the Agrarian Party effectively precluded nationalisation measures.

The only significant extension of public ownership in the 1930s involved the take-over of what remained of the private rail network, and this clearly had nothing to do with the reformist ambitions of Social Democracy. The same applies to...
the State enterprises created during the war, when the NIA steel mill was set up to process the iron ore of the already State-owned LKAB mines, and a forest-products firm, ASSI, was created to carry out some of the industrial activities of the Forest Service.\(^5\)

The new programme adopted by the Social Democratic Party in 1944 codified the pragmatic approach to the question of ownership. At the same time, however, the labour movement’s immediate ambitions became more radical in 1944–45. Advocating a general extension of planning and State intervention, the Post-war Programme adopted by the Social Democratic Party and the confederation of blue-collar unions (LO) in 1944 called for the nationalisation of the insurance industry, and for the appointment of commissions of inquiry to investigate the problems of other sectors, with the possibility of nationalisation in mind. Several commissions of this kind were indeed appointed, but only one (petrol distribution) recommended nationalisation. This recommendation was never implemented.

Organised business and the bourgeois parties engaged in a massive campaign against planning and nationalisation in the immediate post-war period. While the Social Democrats held their own in the 1948 election, the Communists lost badly, and the left’s combined share of the popular vote fell for the first time since 1928. In this contest, the Social Democrats abandoned their planning offensive, and again came to rely on Agrarian support to stay in power. As far as public ownership is concerned, the only consequence of labour’s Post-war Programme was the creation of a State-owned bank.\(^7\)

**EXTRACTION IN THE 1970s**

The retreat of the late 1940s proved quite acceptable to the labour movement, for the combination of macro-economic demand management and selective State intervention in the labour market, the hallmark of the “Swedish model”, sufficed to secure full employment and real-wage increases in the 1950s and 1960s. However, economic circumstances became less favourable in the second half of the 1960s. While the decline of declining sectors accelerated, the advanced sectors of industry responded to the intensification of international competition by rationalising production, substituting capital for labour, and investing abroad. Initially, these developments manifested themselves as problems at the regional level.

The Social Democrats responded to such problems, and the political pressures associated with them, by launching an “active industrial policy” in 1967–68. They thus sought to extend the principles of tripartite labour market policy to the sphere of corporate investment decisions, but, in practice, labour’s industrial policy offensive largely came to be identified with the expansion of State enterprise.\(^3\)

Already in 1963, the government acquired a half stake to prevent the shut-down of the Uddevalla shipyards. Several similar rescue operations occurred in the 1967–76 period. At the same time, the government looked to State enterprise as the spearhead of industrial innovation. In this spirit, it acquired a research-intensive pharmaceutical firm, Kabi, and engaged in two joint ventures with private business in the field of nuclear energy, Uddcomb Sweden and ASEAB-Atom. A State-owned investment bank was also established. But the most significant additions to State enterprise in this period—the nationalisation of the retail distribution of pharmaceutical products and the acquisition of a 50 per cent interest in Pripas Breweries—were motivated by social rather than industrial policy purposes.

Labour’s industrial policy offensive also ushered in the creation of a holding company for non-financial State-owned corporations. As constituted in 1970, the State Enterprise Corporation (Statsföretag AB) consisted of 22 subsidiaries, with combined sales of 3.6 billion Skr and with a work-force of 34,000, and ranked as the eighth largest corporation in Sweden by either of these criteria.\(^8\) The government assigned three basic objectives to the State Enterprise Corporation: (a) to promote the expansion of its subsidiaries by facilitating their access to external capital; (b) to co-ordinate their activities, especially in the field of research and development; and (c) to serve as the link between State-owned corporations and the Department of Industry.

While State-owned corporations had a “special responsibility to consider the interests of society”, the legislation creating the State Enterprise Corporation declared that this responsibility should not entail constraints that would place them at a disadvantage relative to private firms. Insofar as the government burdened the State Enterprise Corporation with policy tasks that could not be justified by commercial criteria, it should compensate the company for this. The legislation deliberately defined the goals of the State Enterprise Corporation in vague and very general terms, leaving the problem of prioritising among partly conflicting goals (profitability, \(^3\) “expansion”, and “societal considerations”) to be settled by the executive management of the State Enterprise Corporation, its board of directors, and the Department of Industry. In practice, investment decisions were, by and large and with one major exception (the disastrous “Steel Plant 80” project), left for management to make, and management from the very beginning assigned priority to profitability, defined in conventional terms.\(^9\)

The expansion of State enterprise that began under the auspices of labour’s industrial policy offensive continued after the bourgeois parties’ election victory in 1976. As noted at the outset, the bourgeois parties nationalised more industry in their first three years in power than the Social Democrats had done in the previous 44 years. They did so in response to the sudden crises of major industrial sectors. Wary of the electoral as well as the economic consequences of a confrontation with the labour movement, the new government felt it necessary to cushion the employment impact of sectoral crises. It also believed that the existing owners and their creditors had to be bailed out to avoid a financial collapse. Again, pragmatic politics prevailed over ideological commitments.\(^10\)

The two most significant nationalisation measures of the bourgeois tenure in government involved shipbuilding and basic steel. In both cases, the State already had an ownership role, and each industry was reorganised under the auspices of a single corporation, fully owned by the State in the case of Swedyard Ltd., and 50 per cent State-owned in the case of Swedish Steel (SSAB). In the latter case, the government persuaded the two private steel firms that were being bailed out (Granges and Stora) to take 25 per cent stakes in the new corporation by promising that it would subsequently buy them out if they so desired.

Under the bourgeois parties, the government also bailed out two forest-product firms owned by producer co-operatives, assuming a 75 per cent ownership stake in Norra Skeppargarnas Cellulosa AB (NCB) and a 40 per cent stake in Södra Skogsägarna AB. The take-over of Eiser, a textile firm in which the State had
acquired a stake in 1973, was completed, several smaller textile firms in competitive troubles were bought out, and the State-owned textile mills were consolidated under the auspices of a single corporation (accounting for 15 per cent of total employment in the textile and apparel industry). Finally, the government took over Luxor, a family-owned consumer electronics firm on the verge of bankruptcy, in 1979.

In 1971–77, iron mining, steel, shipbuilding and forest products accounted for some 80 per cent of total investment by subsidiaries of the State Enterprise Corporation.\(^1\) Swedyard and Luxor, both expected to run up major losses in the foreseeable future, were left out of the State Enterprise Corporation, and so were the State's newly acquired assets in forest products, which the government intended to sell back to the original owners. As Swedyard included shipyards previously owned by the State Enterprise Corporation, its creation reduced the latter's dependence on heavy industry. But from the point of view of the State enterprise sector as a whole, the nationalisation measures of 1977–79 strongly reinforced its concentration in heavy industry. Given the nature of this expansion of State enterprise, it should come as no surprise that government subsidies to State enterprise increased sharply during the bourgeois tenure in government.

**Restructuring and Privatisation in the 1980s**

The Social Democrats inherited a massive government deficit (13.4 per cent of GDP) when they returned to power in 1982. Their budget for 1988/89 projects a deficit of less than one per cent of GDP. Remarkably, the Social Democrats have eliminated the government deficit without any significant cuts in welfare benefits. Leaving minor tax increases aside, their deficit-reduction strategy might be characterised as twofold. On the one hand, the government has promoted business expansion through a combination of devaluation, wage restraint, and public support for research and development. On the other, it has curtailed the growth of public expenditure by cutting subsidies to unprofitable businesses, improving public-sector efficiency, and keeping the lid on public-sector wage increases.

Within the context of this general strategy, the new government moved quickly to undertake a major restructuring of State enterprise, designed to improve its commercial viability, and gradually put an end to the flow of government money into the State enterprise sector. The Social Democratic leadership viewed the restructuring of State enterprise as politically important, symbolising the new government’s commitment to competitive adjustment to world market forces. Significantly, the only trade-union leader in the 1982 Cabinet, Boine Carlsson, was assigned the newly created portfolio of Minister for State Enterprise. When he was promoted to Minister of Defence following the 1985 election, Carlsson was not replaced as Minister for State Enterprise. Evidently, the government considered the restructuring of State enterprise to have been successfully accomplished, at least as far as its political dimension was concerned.

The programme for State enterprise implemented by the Social Democrats in 1982–84 amounted to an 'internal' reorganisation of the State enterprise sector, and did not involve any privatisation. As the centrepiece of this programme, the government restructured the State Enterprise Corporation by taking over the assets of its principal loss-making subsidiaries, LKAB (iron mining), ASSI (forest products), and SSAB (basic steel) in 1982–83. The State Enterprise Corporation was thus scaled down: its turnover dropped from 15.4 billion Skr. in 1981 to 11.5 billion Skr. in 1983, and its workforce dropped from 46,080 to 25,719. At the same time, the government explicitly specified efficiency and profitability as the criteria whereby the performance of the State Enterprise Corporation would be judged. Whereas the initial legislation setting up the State Enterprise Corporation defined its overarching purpose in terms of achieving 'the greatest possible expansion while maintaining profitability,' the new legislation charged it with the task of 'increasing the efficiency and competitiveness of State enterprise, and thereby enhance its capacity to expand.'\(^2\)

The reorganisation of 1982–83 was designed to distinguish more clearly between, on the one hand, commercially viable firms that would no longer be expected to assume any responsibility for regional employment or other public policy purposes and, on the other, firms that would continue to carry some degree of responsibility in this respect (and hence would not be judged simply in terms of efficiency and profitability). But it was also informed by the idea that it would be more rational to group State-owned firms within a number of concerns, defined by common industrial and commercial activities, rather than a single holding company.\(^3\) At the same time as it relieved the State Enterprise Corporation of LKAB, ASSI and SSAB, the government restructured these firms financially, enabling them to embark on new investment programmes to rationalise production.

The State Enterprise Corporation decided to rename itself Procordia in 1984. According to the company's executive director, the purpose of this change was to emphasise 'the competitive conditions that are decisive for our operations,' and to 'avoid any confusion with other State-owned or societally run corporations.'\(^4\) To raise cash and/or to strengthen its internal coherence, Procordia has sold off several lesser subsidiaries since 1984. Also, it sold the loss-making Eiser Corporation (textiles) to a consortium of Eiser executives for a token sum in 1986. At the same time, Procordia has acquired new subsidiaries. Most notably, it took over the government's 50 per cent stake in Pripps Breweries and bought out Volvo, the remaining private owner, in 1986. As indicated above, the terms of the agreement whereby SSAB was created obliged the government to buy out its private partners if the latter so desired. One of the two firms involved chose to pull out in 1986. Having increased its interest in SSAB from 50 per cent to 75 per cent, the government subsequently sold one-third of its shares to a consortium consisting of one private insurance company, four private pension funds, and a public pension fund, the so-called 'Fourth AP-fund.' As part of the latter deal, the government agreed that privately-held shares in SSAB would at some future point be registered at the Stock Exchange.

In addition to the sale of subsidiaries by Procordia, four major privatisation measures have been undertaken since 1984. (Since its net effect was to increase the government's stake, the 1986 ownership change at SSAB does not qualify as 'privatisation'). First, the original owners of Södra Skogsägar AB, one of the co-operatively-owned forest products firms that was bailed out in 1979, repurchased the government's 40 per cent stake for 750 million Skr. in 1984. The government can hardly be said to have opted for privatisation in this instance.
however. As with the increase of its holdings in SSAB, it simply complied with the terms of the initial buy-out.

Secondly, the State-owned Postal and Credit Bank (PK-Banken) issued new shares to the public corresponding to 15 per cent of its equity capital in 1984. It is today owned by some 21,000 individuals and institutions, and the new shares were sold for a total of 512 million Skr. Thirdly, the government sold 70 per cent of its holdings in Luxor, the consumer electronics firm acquired in 1979, to Salora Oy of Finland for 185 million Skr. In 1984–85, and has subsequently agreed to sell its remaining shares to another Finnish corporation, Nokia Oy.

Finally, and most importantly, the government went public with Procordia in late 1987 by issuing new shares corresponding to 19 per cent of its equity capital, sold for a total of one billion Skr. Only 38 per cent of the new shares were issued to the general public, however. 20 per cent were reserved for Procordia employees, and 42 per cent for four institutional investors (a private insurance company, two private pension funds, and the Fourth AP-fund). 19

The Procordia flotation is the most important privatisation measure to date, in the sense that it involved the most money. Because of the role of Procordia’s predecessor as the flagship of State enterprise, it was also symbolically important. Though the government does not appear to be planning any new privatisation measures, it has clearly indicated its openness to further privatisation along the lines of the Procordia flotation. 19

The main constraint on this type of privatisation is the fact that most other State-owned corporations are not sufficiently profitable.

The restructuring programme implemented in 1982–84 prepared the ground for subsequent privatisation measures—in particular, the flotation of Procordia shares—by enhancing the commercial viability of State-owned corporations in general, and by separating the more profitable corporations from the less profitable ones. But there is no evidence to suggest that the government actually conceived its restructuring programme as a step towards privatisation. At least in the case of Procordia, it was management rather than the government that initiated the discussions that led to privatisation.

Before the 1985 election, the idea of privatisation was very much identified with the opposition parties and in particular with the Conservative Party, which became the largest bourgeois party in 1979. The Conservatives gained votes in each successive election from 1970 (11.5 per cent) to 1982 (23.6 per cent), and became increasingly outspoken in their criticism of the Welfare State after 1979. Their rhetoric linked the idea of privatising State enterprise to that of promoting private alternatives to the public provision of social services. Indeed, the public debate about privatisation focused almost entirely on private health clinics and daycare facilities in the early 1980s. 19

Emboldened by polls that suggested that they might get 27–30 per cent of the vote, the Conservatives organised their 1985 campaign around the need for a ‘change of system’. This offensive backfired, however, and the Conservatives’ share of the vote dropped to 21.3 per cent. Since 1985, the bourgeois parties have played down the idea of privatising social services, and have advocated the sale of public assets on essentially pragmatic grounds—as sound corporate and budgetary management.

The Conservative defeat in 1985 and the subsequent change in the terms of public debate might be seen as necessary preconditions for the Social Democrats to consider privatisation as a policy option (in other than exceptional cases). Also, one might well argue that the privatisation measures implemented by the Social Democrats have served to ‘defuse’ privatisation as a potential issue of political realignment.

The Limited Nature of Privatisation

The limited extent and pragmatic character of the privatisation measures described above must be emphasised. In no sense does privatisation form part of the current government’s ‘ideological agenda’. The following five points bring out the contrast between the privatisation measures of Sweden’s Social Democratic government and those of Britain’s Conservative government:

• While the Swedish Social Democrats have sold assets in industrial/commercial enterprises operating in competitive circumstances, they have eschewed the privatisation option as far as social services and public utilities are concerned. They have not taken on board the bourgeois parties’ suggestions that the commercial State agencies should be broken up, so as to make it possible to privatise their non-regulatory operations.

• Even within the field of State-owned corporations operating in competitive circumstances, the government’s privatisation measures have been restricted to a relatively small number of firms. To keep things in perspective, it should be noted that Procordia accounted for 7.9 per cent of the total sales and 7.4 per cent of the total employment of the State enterprise sector in 1986 (13.1 per cent and 16.3 per cent respectively if we exclude commercial State agencies and their subsidiaries). 19

• With two exceptions (Södra Stogfärgerna and Luxor), privatisation has also been limited in the sense of being partial. The government has stated clearly that it intends to retain a controlling interest in both Procordia and SSAB, and has suggested that this principle should apply in future cases of privatisation as well.

• Privatisation has primarily involved the transfer of public assets (or new share issues) to private corporations or institutional investors. The government has sought new owners/partners likely to look upon their investment as a long-term commitment. Related to this point, the government’s nationalisation measures have not been widely publicised.

• Privatisation has been considered on a case-by-case basis, typically in response to the need of specific firms to raise new risk capital. While the government may be said to have a ‘privatisation policy’ (i.e., a policy on how privatisation should be done), it does not have a ‘privatisation programme’. 19

Two future-oriented caveats should be added to this characterisation of the current Swedish government’s policy with respect to privatisation. It should be noted that the government has recently begun to implement a far-reaching programme of telecommunications deregulation, allowing private networks to compete with the Telecommunications Board. Though not itself a privatisation measure, this new initiative does raise questions about public monopolies and the future of the
commercial State agencies.

The second caveat concerns the current restructuring of the public sector, which has involved a process of ‘corporatisation’ in the sense that public-sector activities have been transferred from government bodies to corporations owned by government bodies. This process has occurred at two levels: first, commercial State agencies have reorganised their activities under the auspices of subsidiary corporations (two-thirds of which date from the period since 1974); and, secondly, local government authorities have set up corporations to which they contract out for various municipal services. To some extent, the practice of contracting out to private corporations has also increased among local authorities.

Driven by two basic motives, to cut costs and to increase responsiveness to consumer demand, these developments began under the bourgeois tenure in government, but they have accelerated under the Social Democrats. Though the current government has firmly held the line against the privatisation of public-sector services, its efforts to promote public-sector rationalisation have opened up possibilities for privatisation in the future.

WHY PRIVATISATION?

However limited in extent and pragmatic in character, recent privatisation measures represent a new departure for Swedish Social Democracy, and as such warrant an explanation. It is noteworthy that the budget deficit was brought under control before the government seriously began to consider privatisation as a policy option. What has arguably been the major pragmatic motive for privatisation in other countries—to raise revenues without raising taxes—does not seem to explain recent privatisation measures in Sweden.

As indicated above, the government conceives privatisation primarily as a means to raise new capital for State-owned corporations. The Procedria flotation (again, the principal privatisation measure to date) yielded no revenue for the government. Leaving aside the specifics of each case, two general considerations have attracted the government to the privatisation option. On the one hand, the imperatives of fiscal management have made the government reluctant to finance capital infusions through the budget. On the other, buoyant equity markets have made share issues a relatively cheap way to raise new capital.

Beyond these considerations, recent privatisation measures might be seen as a consequence of a basic change in the Social Democratic attitude to State enterprise. Labour’s industrial policy offensive of the late 1960s was informed by a vaguely articulated, but strongly felt belief that State-owned corporations could and should behave differently from private corporations. State enterprise was expected to serve as a tool of regional and industrial policy, and to play a leading role in the development of industrial democracy as well as technological innovation.

The Social Democrats effectively abandoned such ambitions in the early 1980s. The new government accepts that State-owned corporations with poor profitability must be supported, but its conception of successful State enterprise does not appear to be any different from its conception of successful private enterprise. Given this outlook, the question confronting the government is not so much ‘why privatise?’, but rather, ‘why not?’

NOTES

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1. This section draws primarily on Donald Soderblom and Olaf Pattersson, Swedish förvaltningspolitik (Uppsala: Dietz, 1986), Ch. 2.

2. The latter figure includes the direct subsidiaries of the State Enterprise Corporation, a holding company established in 1970, now known as Procedria Ltd. (see below).


5. Larsott Wart, Den måttiga finansreformen (Stockholm: Liber, 1990) provides a thorough account of the expansion of State enterprise, and the motives behind it. The Agrarian Party made an historic policy deal with the Social Democrats in 1933, raising agricultural tariffs in return for supporting deficit-financed public works, and joined the government in 1936. The national emergency government formed in 1939 also included the Liberals and the Conservatives.

6. This bank merged with the postal savings bank in 1974 to form the Postal and Credit Bank (PK Banken), Sweden’s third largest bank. For a more detailed discussion of the politics of planning in the 1940s, see Joan Penttinen, ‘Labour Reformism and the Politics of Capital Formation in Sweden’ (Ph.D. dissertation, University of California, Berkeley, 1985), Chap. 3.

7. See Ibid., Chap. 8, for a broader treatment of labour’s industrial policy offensive.

8. Roger Hering, Stora texn privatgarun (Stockholm: Rubins & Sjöberg, 1974), p. 28. The following categories of State enterprise were not included within the State Enterprise Corporation: the
commercial State agencies and their subsidiaries, credit institutions; corporations with legally sanctioned monopoly status (the Liquor Board, National Lottery, etc.); and corporations engaged in nuclear research and development. The Pharmacy Corporation and Pilsner Breweries were also left out when they came under public ownership.


14. In its recent publications, the Department of Industry discusses State industrial enterprises in terms of seven concerns: Procedia (still highly diversified), Swedac (renamed Celsius Industries in 1987; shipbuilding and other engineering activities), SSAB (steel), LKAB (iron ore), ASSI (forest products), NCB (forest products), the holding company of the Forest Service (forest products), and the holding company of the National Industries Board (military material).

15. Cf. in Studernd och Peterson, p. 39. The name Procedia was taken over from the State Enterprise Corporation's most profitable subsidiary, originally called the Swedish Tobacco Corporation.


ABSTRACTS

The Politics of Industrial Privatisation in Western Europe
John Vickers and Vincent Wright

This overview of industrial privatisation in Western Europe examines the different forms of privatisation and the motives and ambitions of the privatisers. It then outlines the factors that have shaped the various privatisation programmes, which include the origins, size, scope and structure of public sector enterprises, political and institutional arrangements, and differing economic and financial structures. It concludes by looking at the economic and political impact of the various privatisation programmes and by specifying on the issues that privatisation raises for the future.

The United Kingdom: Privatisation and its Political Context
David Heath

This analysis sets the UK privatisation process in its policy context and examines both declared intentions and underlying motives. Three phases in the privatisation programme are identified: the denationalisation of financially successful enterprises ('decapitating the snakes'); more ambitious proposals involving the public utility sector ('denationalising the monopolies'); and the development of plans for loss-making enterprises in public ownership ('finishing the job'). The nature of people's capitalism is shown to have assumed major political significance. The structure of government has itself played a role in determining the pace and style of privatisation policy, with the process of rolling back the State paradoxically characterised by an unprecedented centralisation of political power.

Michel Bauer

The policy of privatisation carried out in France by the self-proclaimed liberal government of Jacques Chirac was frequently presented as a success. Yet a close analysis reveals the gap between that policy and economic practices motivated by economic liberalism. The profoundly anti-liberal nature of the policy of denationalisation may be seen in the methods of privatisation as well as in the initial effects in terms of the transformation of the French socio-economic system. Some of the most conservative and traditional features of the French industrial and financial system were strengthened by the privatisation programme.

'Symbolic Privatisation': The Politics of Privatisation in West Germany
Josef Eßer

Although the conservative-liberal government in West Germany promised in 1982 to reduce government involvement in business and to revivify market forces, it has not lived up to its promises so far: the intended deregulation and privatisation have remained insignificant. This study describes the politics of non-privatisation as 'symbolic privatisation' and explores the reasons for the government's timidity in this field. It is argued that the explanation must be sought in the traditional consensus about State holdings as being an indispensable instrument for regional and industrial policy, a consensus sustained by important political and social forces.

Privatisation in Belgium: The National and International Context
Anne Drumaux

The process of privatisation in Belgium has developed within a context of rather special political and economic conditions. Both the manner in which the debate on privatisation has been structured as well as the initial reactions to the first decisions are highly revealing about decision-making in Belgium. The tradition of mixed public-private economic