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The Origins of the Swedish Wage Bargaining Model*

*Erik Bengtsson**

Abstract

That export-led industry sets the wage norm for the whole economy, acting as the “wage leader”, is a celebrated part of the Swedish wage bargaining and labour market model. Export-led wage leadership is assumed to lead to controlled, non-inflationary wage increases, as wages are set with international competition in mind. This paper maps the origins of this export industry wage leadership model, showing that the conventional cross-class alliance story focusing on the 1930s does not square with the facts. Going through the central trade union wage bargaining protocols from 1939 to 1959, I show that industry wage leadership was non-existent in the 1930s. In fact, wage formation at the time was quite decentralized. Instead, industry wage leadership was created only in the 1950s. The driving force behind it was not a cross-class alliance between workers and employers in export industry against home market workers, but rather the integration of the trade union wage policy into a Social Democratic macroeconomic project.

Keywords: Swedish model, wage bargaining, wage leadership, labour market institutions

JEL codes: J50, J51, N14, N34

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1. Introduction

In Sweden, export-oriented industry sets the norm for wage increases across the economy. Since 1997, this has been enshrined in the Industry Agreement (Elvander 2002b), and this bargaining model is widely celebrated by policymakers (i.e. Enegren 2014) and economists, who argue that wage leadership by industry keeps wage growth in line (e.g. Garrett and Way 2000; Traxler and Brandl 2010). The argument is that export-sector employers cannot compensate for high wage increases by pushing the costs onto consumers and thereby increasing inflation – they are assumed to be price-takers in the international markets – and therefore their wage leadership prevents a wage-inflation-spiral. The conventional understanding is that export-sector led wage restraint was key to “how Social Democracy worked” (Moene and Wallerstein 1995), and was at the centre of the post-war Swedish model (Alexopoulos and Cohen 2003). This makes it especially important to understand how the system came about.

However, the origins of the system are not very clear. Several authors are prone to ascribing it a long history. According to Fregert (2009) and Svensson (2009), following Peter Swenson’s (1989, 1991, 2002, 2009) influential cross-class alliance argument, it came about with the Saltsjöbaden agreement of 1938, as employers and unions made a “historic compromise”, including wage leadership by export industry. The assumption that wage leadership began in the late 1930s is also established in the literature on the Industry Agreement (e.g. Elvander 2002a, p. 194). The present paper questions this interpretation, and argues that, while the cross-class alliance interpretation of Swedish labour market history is powerful, it also has its limits.

Going through the central trade union wage bargaining protocols from 1939 to 1959, I show that industry wage leadership was non-existent in the 1930s. In fact, wage formation was at the time quite decentralized. Instead, wage leadership was created only in the 1950s. The driving force behind it was not a cross-class alliance, but rather the collaboration between trade unions and the Social Democratic government of the period. Getting the wage bargaining system right is important because in the common understanding it is such a fundamental part of the successful Swedish model from the post-war years. In the concluding part, I discuss the theoretical implications of re-interpreting the Swedish model, arguing that the case for employer-centred interpretations has been overblown, and that this is related to a misunderstanding of the distributional consequences of Swedish wage bargaining in the post-war period.

2. Wage leadership in Sweden

By “wage leadership”, I mean a system in which the wage settlements of one sector set the norm for other sectors too. This system is often referred to as “pattern bargaining”, but since pattern bargaining can also apply to the leading role of a firm within a sector, I prefer the term “wage leadership”. (Calmfors and Larsson Seim 2013 uses the concepts interchangeably for the Swedish case; see also Traxler, Brandl, and Glassner (2008) for a thorough discussion of the meanings and varieties of “pattern bargaining”.) The system requires the *coordination* of wage setting in different sectors, but is distinguishable from the *centralization* of wage setting. In a centralized system, wage bargains for all sectors are set jointly. In the wage leadership system, one sector settles first and sets the norm for everyone else. Starting with Soskice (1990), wage bargaining scholars have acknowledged that such a coordinated system can have the same anti-inflationary benefits as a centralized system, which in the Calmfors and Driffill (1988) model was seen as preferred (Traxler and Brandl 2010). Calmfors and Driffill argue that fully decentralized and completely centralized wage bargaining systems both led to good outcomes: decentralized systems, because unions were so weak that they could not cause wage-push inflation; centralized systems, because unions were so encompassing that they had to internalize all the costs of any wage-push which would increase inflation and/or unemployment. Intermediate systems according to Calmfors and Driffill were the worst, because they meant that unions had power without responsibility. Soskice (1990) and following empirical studies (Garrett and Way 2000; Traxler and Brandl 2010) have however shown that in a formally decentralized system, coordination in the shape of export sector leadership can give the same attractive anti-inflationary, cautionary wage policies. Competing wage claims may be inflationary (cf. Goldthorpe 1978), but all claims are subordinated via coordination to those of export industry, in a way solving the problem.

The received history of wage formation and wage leadership in Sweden

Since 1997, the wage leadership of exporting industry is entrenched in the Industry Agreement bargaining order (Elvander 2002b, 2002a). Since 2001, the state Mediation Institute has had the task of upholding this norm. The idea of export sector wage leadership is a recurring one; it was formalized in the 1970 EFO report by the main unions and the employers’ confederation (Edgren, Faxén, and Odhner 1970), but even to contemporaries, it was unclear whether this model was descriptive (the export sector is wage leading) or normative (the export sector should be wage leading) (Calmfors and Lundberg 1974, p. 151). However, it is widely argued that the

norm was not invented during the centralized bargaining regime after 1956, but indeed in the 1930s (e.g. Elvander 2002a, p. 194).

Traditionally, the focus on the studies of Swedish wage policy has been on the development of a “solidaristic wage policy” – the equalization of wages between different types of worker – and its implementation (cf. Ullenhag 1970; Hadenius 1976; Johansson and Magnusson 2012, ch. 2). A related stream of literature focuses more on the macroeconomic dimension of wage policy, inflation-fighting and balancing the economy (Calmfors and Lundberg 1974; Frisch 1977; Warginger 1992; Elvander 2002b, 2002a). At the root, these two streams are related, since solidaristic wage policy has always been made with one eye on stability concerns (Ekdahl 2002; Erixon 2008).

The understanding of wage leadership developing in the 1930s is closely related to the influential research of Peter Swenson. Swenson makes a historical and institutional analysis founded in the macroeconomic understanding briefly discussed above. Export sector unions are expected to be more wary of militant wage policies, since higher wages would have to be compensated by higher prices, which in the international market would mean a loss of competitiveness and a loss of jobs for the unionized workers. The employers of home-market unions, who do not face international competition, do not face the same dilemma, and can instead transfer the costs of any wage push to consumers in the shape of higher prices. In Swenson’s analyses (1989, pp. 42-60; 1991, 2002) of the Swedish labour market in the 1930s, the key contradiction in the trade union movement was along these lines. Export-sector unions (such as those from the engineering industry), in collaboration with their employer counterparts, wanted to centralize the LO and wage setting to “tame” the home market unions, and succeeded. The famous 1938 Saltsjöbaden Agreement between the unions (LO) and the employers (SAF) was a cross-class alliance uniting the LO and SAF against militant construction workers, and the restrictions on conflicts in the Agreement stifled the construction unions more than the export sector unions (Swenson 2002, pp. 114-118; 2009). Swenson (2002, p. 114) argues, building on Åmark (1988), that “both sides agreed that export industry should play the role of the ‘wage leader,’ while building wages should be held back” (see also Swenson 2009, pp. 46-47, 74-77). Swenson’s analysis has become the consensus position in research on Swedish wage bargaining history, as shown by the anthology published for the 80th anniversary of the 1938 Saltsjöbaden Agreement, in which Svensson (2009) and Fregert (2009) elaborate upon Swenson’s analysis and see wage leadership as created in 1938, a precursor of the EFO model of the 1960s and the Industry Agreement model of the 1990s. Svensson and Fregert both very clearly ground the analysis in the macroeconomic logic discussed above, which is sound: export

sector unions and home-market unions work under different conditions for their wage policy. Given the intense cross-sector rivalries in the 1930s shown by Swenson (1989, 2002, 2009), it then makes sense that wage leadership could have been then. However, I argue, this overstates the case.

Neither Swenson nor any other scholar has shown any “smoking gun” when it comes to the construction of export industry wage leadership. Swenson does show that there were expressions of discontent from the Metal Workers with the wages awarded to construction workers, but this does not mean that such discontent was official LO policy (cf. Swenson 1989, pp. 59–60; also Ullenhag 1970, pp. 28-41 and Hadenius 1976, pp. 34-52). Furthermore Swenson shows that in the 1920s and especially the 1930s there was a discussion on the both the employers’ side and the union side about the wage relationship between the home market sectors and the export sectors (i.e. *ibid.*, pp. 74–75; 2009, pp. 57-67, 74-77). Swenson also convincingly demonstrates that the well-known strength of the Swedish trade union movement does not imply that employers have been weak: on the contrary, they have been extraordinarily well-organized, and have forced unions’ hands several times. Specifically, Swenson (1989, 2002) has shown that, in the 1930s, SAF used the cross-sector weapon of lockouts to nudge the LO into a centralizing direction. He asserts that lockouts “gave organized capital in Sweden the ability to hammer unions into a shape that made them useful as partners in centralized regulation of labor markets” (Swenson 2002, p. 73). This gives all the agency to the employers and none to the unions. But Swenson does not show that wage negotiations in the 1930s or after Saltsjöbaden were coordinated with the establishment of wage leadership by the export industries. He shows only that after the construction conflict in 1933–34 there was a *one-off* reduction in the home market industries’ wage advantage. In other words, the creation of the wage leadership system – when, how and by whom – is still an open question after Swenson’s study. However, his explanation has become the common wisdom (Fregert 2009; Lundh 2009; Svensson 2009).

The impact of Swenson’s study is closely related to a theoretical shift in comparative political economy (Di Carlo 2018). “Swenson upended the conventional wisdom by revealing that specific segments of business were prime movers in the push for centralization”, say Thelen and Mahoney (2015, p. 14), and thereby inspired the shift of focus to the employers, and away from the class conflict focus of the power resources school. As Svensson (2009, p. 121) says in his Swenson-influenced analysis of the 1938 Saltsjöbaden Agreement, the conflict between internationally competing industry and the sheltered sector is “primary to the opposition between labour and capital”.

I revisit the Swedish case with a broader social coalitions perspective influenced by Thelen (2014). Institutions are created by social coalitions with certain goals in mind, and may endure, not by constantly reproducing the same coalitions, but by the support of new ones. Changing social coalitions may of course also abolish existing institutions and replace them with new ones. From this perspective, we may see Swenson's explanation of the Swedish wage bargaining model as one case of a social coalitions explanation. In his case, it is the coalition between export-sector employers and unions against home-market unions that is the driving force behind the wage bargaining model. I will argue that it is premature to write off the more classical coalitional analysis of the labour movement against the employers (e.g. Korpi 2006).

3. Empirical approach

How can we find when, how and why wage leadership began in Sweden? During the relevant period, post-1938, collective agreements typically lasted a year. The agreements ended in early spring, and negotiations were held in the autumn and winter. The LO's discussion of the upcoming bargaining round was at the autumn meeting of the Representation (*Representantskap*). There, the LO stated their aims in the upcoming bargaining round, and gave a bargaining commission the right to bargain with the employers. The Representation was a twice-yearly conference which was the highest decision-making board between the congresses (which were held every fifth year), and gathered representatives of all the LO's member unions. The minutes of the meeting were verbatim records of the discussions, which make them very useful for historical research. The discussions were expressly secret and each meeting began with an agreement that the discussions must not leak out of the meeting room. This makes the minutes especially reliable: they were not doctored with a critical audience in mind, but were as forthright as possible, so they could work as internal evidence of the policies that the LO had decided upon.

I use the Representation minutes, in the LO archive at the Labour Movement's Archive and Library (ARBARK 2964/A/2/A). If wages were coordinated in the form of wage leadership by the export industry, we will find this in the aims and instructions formulated at the *Representantskap*, as well as the evaluations of the previous wage rounds. This source should be especially good for picking up any internal conflict in the LO, such as that proposed by Swenson (1989, 1991, 2009).

I have studied the Representation minutes from the year after the Saltsjöbaden Agreement, 1939, to 1959. The study begins in 1939 as Swenson (1991, 2009) and Åmark

(1986, 1988) have claimed that the 1938 Saltsjöbaden Agreement was central for the LO's wage policy. It ends in 1959 when wage coordination was well under way: this end point is also motivated by the fact that the Representation minutes become much less informative after 1960. From 1960 on, the minutes are no longer verbatim. However, since the classical Swedish model investigated here had already been established (Fulcher 1991, ch. 8), the changing character of the minutes is not a problem for the present study, although the Representation minutes are not sufficient for studying wage policy in the 1960s. The minutes will be referenced by month, year and page.

4. The transformation of wage bargaining: the rise of the Swedish Model

The wage policy discussions of the LO during the years immediately after the 1938 Saltsjöbaden agreement show, contrary to the conventional understanding, no trace of export sector wage leadership. Before the war, wage bargaining was very decentralized: in 1938, only 16 of the 32 LO unions had any national collective agreements while the other 16 stuck to the traditional model of local agreements, and only 37 per cent of LO members were covered by a national agreement (Rehnström and Sjunneson 2015, pp. 17, 21). Of course with local agreements, national coordination with the other unions is more or less impossible. Throughout the 1920s and 1930s, a critical minority within the LO grew, arguing for a more centralized, more ambitious and more "solidaristic" or "socialist" wage policy. At this point, however, these ambitions foundered on a leadership pessimistic about the possibility that wage policy could change the wage structure (Hadenius 1976, pp. 32-43). In practice, wage policy in the 1930s followed the principle of "everyone get what you can" (Johansson and Magnusson 2012, p. 36).

In 1939-40, when the war and considerations of the national interest pushed the LO into a central inflation-indexed agreement with the employers (SAF), this led to much grumbling among the representatives. It is abundantly clear in the sources that the member unions were accustomed to separate, uncoordinated wage policies for each union. The only central policy during 1939-1945 was that the only wage increases should be those following consumer price increases (cf. Ullenhag 1970, pp. 78-80). Overall, in these years, the LO did not much discuss a common wage policy of any kind. As Table 1 shows, in 1939 the wage policy discussion at the Representation measured up to 21 pages, with statements from 12 unions. In several of the war years, fewer than 10 of the 32 LO unions bothered to make a statement at the most important central wage policy discussion of the year. The number of pages varied between

14 and 24 with the exception of 1941, when there was a special policy discussion before the 1941 LO Congress.

Table 1. The quantitative extent of the wage policy discussions at the Representation

	Number of pages	Number of statements	Number of unions participating
1939	21	20	12
1940	16	23	4
1941	44	28	8
1942	24	26	11
1943	14	17	9
1944	23	21	13
1945	15	9	4
1946	28	39	16
1947	19	23	9
1948	74	47	25
1949	261	86	37
1950	67	17	6
1951	174	46	19
1952	167	67	28
1953	53	20	5
1954	50	12	5
1955	103	36	14
1956	115	47	21
1957	81	30	15
1958	89	31	21
1959	46	20	10

Note. Source: own calculations from the Representantskap minutes in the LO archive, ARBARK 2964/A/2/A.

In contrast, between 1948 and 1958 the wage policy debates took up between 50 and 174 pages, with 12 to 86 statements. The shift indicates the greater weight of central LO wage policy from 1948 onwards.

The 1941 discussions and the road forward

1941 is a demarcation year in the history of the LO; at the 1941 congress the committee on organization reform appointed by the 1936 congress presented its report, which proposed a centralization of decision making, not least over strikes (Ullenhag 1970, pp. 47-53; Hadenius

1976, pp. 45-68; Swenson 1989, pp. 51-53). The committee explicitly motivated this centralization by stating the need for a more planned and coherent wage policy and also noted that the employers (SAF) were already much more centralized. In June 1941, the Representation devoted a special meeting to discussing the draft report ahead of the congress. The proposals met some serious criticism at the Representation. Among the hard-liners were the representative of the Foundry Workers who dismissed any solidaristic wage policy with the Soviet Union as an example of equal wages lowering efficiency, and the Typographers' representative, who boldly asserted that his union would leave the LO if the proposed changes materialised. Oscar Westerlund from the Metal Workers, however, supported centralization, saying that the last couple of years of index agreements had been chaotic and that more planning was needed. He clarified his point:

”A bargaining round for one union has repercussions also for other unions. We remember that the public servants went ahead and reached an agreement which then became a precedent for the other groups. At any time it might happen, for example, that the Metal Workers went first.” (10–12 June 1941, pp. 41–2)

That his chosen example is the civil servants is interesting – from the previous literature (e.g. Swenson 1991), one would think that it would more probably be construction workers who would pursue the kind of wage policy that would provoke other unions. (However, Westerlund also expresses annoyance at the construction workers.) The debate includes also a rather long discussion about the 3 % strike veto, with many references to the construction workers' strikes of 1933–34 and 1937. An interesting theme was the argument put forward that now the trade union movement had reached a position of power it must act responsibly. The issue of the movement's wider responsibility also returned in 1942. Lindberg, the LO chairman then stated:

”We cannot pursue a wage policy independent of society's economic policy. Our bargaining rounds grow ever less a matter between us and the employers, because the bargaining affects social policy overall.” (3 September 1942, p. 12)

Other than this, the 1942 discussions contain very little of interest, as did the 1943 and 1944 rounds. The LO's wage policy during the War years was hardly very active. In 1945 and 1946, too, no coherent wage policy was pursued, and bargaining oscillated between complete decentralization and central inflation indexing, as had prevailed during the war (De Geer 1986, p. 45). The LO side pursued no coherent wage policy and a suggestion to include the concept “solidaristic wage policy” in the bargaining statement of 1946 was dismissed by the LO chairman as a “flight of fancy” and was voted down without further debate (ibid.).

Things start to change: 1947–1948

That the LO level had become more important for wage policy – which was intended with the 1941 constitutional changes – became apparent in 1947, when for the first time the Secretariat could not agree on a suggestion for a wage policy statement for the year’s bargaining round. Previous statements had been very vague and non-committal, so they had been easy to agree on, since in any case they left much freedom for each union. Now, however, there was widespread agreement that the unions should in solidarity focus on the low-paid. Oskar Karlén from the Wood Industry Workers’ union also made a more systematic statement, beyond the call for ad hoc one-off pay raises:

”In this situation we should be able to agree to apply the method, that the low-paid come first in the bargaining round. We have changed the LO’s statutes to make such a wage policy possible, but apparently we are not yet mature enough to apply the statutes in this respect. /.../ we run the risk that things will work out as before: each union takes what it can possible, without any regard for the common concern to restrain prices. /.../ I would ask the Secretariat to look more closely on the proposal and re-formulate it so that it becomes possible for the Secretariat to keep the unions’ bargaining rounds together and steer them.” (August 1947, p. 17)

Here we see the first call for truly coordinated bargaining, putting the 1941 constitutional changes into action. However Karlén’s proposal was dismissed, with arguments such as that the LO Secretariat would not have the necessary expertise to coordinate all the collective agreements from the member unions.

In 1948, the Representation held a wide-ranging discussion on the theme of wage policy in a full employment society with economic planning. By now, Sweden had had a Social Democrat-led government, closely affiliated to the trade union movement, for 16 years, and economic planning was du jour, a development reinforced by the Second World War. “It appears”, an LO-affiliated lawyer argued, “that wage policy must be subordinated to general economic planning” (minutes 26–27 April 1948, p. 13). The LO had admitted in the 1941 report that no social movement could be above the law and that this was true also for collective bargaining. But, the lawyer argued, to avoid direct state intervention in bargaining rounds, the LO would need to coordinate its wage policies more closely. In the discussion, several representatives expressed support for a more activist LO wage policy. Representatives of the Factory Workers and Telegraph and Telephone Workers argued for a more coordinated wage policy, including the creation of a wage policy council or research institute, to encourage the development of wage policy. The Sawmill Workers agreed that the LO should view wages in a

more macroeconomic way, and Gustav Vahlberg from the Secretariat (previously the Metal Workers) stressed the need for planning:

”Allow me to be a bit brash and say that the trade union movement, which is the movement in the country which basically carries Social Democracy and a Social Democratic government, and time after time calls for planning, and time after time calls for solidarity between social groups, when we inspect ourselves from the outside, we do not show a lot of what we tell others they should manifest. The last couple of bargaining rounds show very strikingly that we are lacking in internal solidarity.” (April 1948, p. 39)

The 1948 discussions are the first in my material where the distinction between export and home market industries is used in a discussion of future wage policy. Henry Hansson from the Factory Workers complained about the lack of coordination in the last bargaining round (1946–47) where some home market unions such as the Typographers in the end got away with good wage increases, since they were not threatened by foreign competition. Hansson suggested that “the leadership should before the next meeting put forward a proposal which makes it possible to follow a unitary line, to avoid pure anarchy.” (April 1948, p. 80) Representatives of the export sectors argued for a coordinated wage policy to make their sectors more attractive for workers in terms of the wages offered. (18 October 1948, pp. 22-23). (On wage differentials see Prado (2010), p. 512; until 1945 the metal workers earned less than the food workers but 8 per cent more in 1950; the sawmill workers were consistently below the industrial average.) In particular, complaints were made about the wage policy of the Municipal Workers; while the previous literature pitted Metal Workers against Construction Workers and in the wage policy debates of the 1940s the Wood and Forestry workers are as important as the Metal Workers on the pro-coordination side, while the Municipal Workers, Typographers and Brewers are as prominent as the Construction Workers on the other side.

However, despite all these ideological debates in the 1948 bargaining round, the policy chosen was still a very conservative one of prolonging the status quo without wage adjustments except for inflation (and wage drift). This was an outcome especially of the government’s arguments for prolongation at a time of economic uncertainty. Ullenhag (1970, p. 66) sums up LO’s solidaristic wage policy debates in the 1930s and 1940s as “active debating – little concretization”. The same is true for wage leadership.

1949: alternatives are formulated, the economists step up

In 1949 the “constitutional debate” on LO wage policy accelerated. There were two main issues in the debate: the role of LO wage policy in overall economic policy, and the role of the economists in formulating policy.

Economists and experts were becoming more important for wage formation in the 1940s. The LO’s research bureau was then, in its context of modernist optimism regarding industrial growth and economic planning, and related to the centralization of the LO after 1941 (Ekdahl 2002, pp. 115–188, 258–321; cf. Erixon 2008). In the uncoordinated wage bargaining rounds of the 1930s and 1940s, the need for macroeconomic grounding had not been admitted: the policy was, with exceptions for indexation agreement years, that each union should attempt to get as much as possible, without regard for the economy as a whole (Ohlsson 1990; Johansson and Magnusson 2012, p. 36; Rehnström and Sjunneson 2015). But in the late 1940s, the discussions turned decisively to wage policy as a responsible part of overall economic and social policy, and then macroeconomic projections were needed. In 1949, the economic-technocratic issue came fully to the fore. The biggest issue was the proposal to start an LO research institute, for which two highly interesting arguments were presented: one, that in a full employment society the trade unions were part of the overall economic policy and therefore must have the expertise to take part in planning economic policy and public commissions; and two, that “a rational and more centralized wage policy makes considerable demands on the LO’s capacities for an effective planning and design of wage rounds” (27–28 April 1949, pp. 10–11). The research institute proposal started a major debate at the Representation and had overwhelming support. The only critic argued in a markedly anti-modernist way that psychology was more important than economics in bargaining rounds and that the influence of economists would lead to a more conservative wage and strike policy.

The complaint was not heeded; the economists perceptibly gained ground in the 1949 debates. At the autumn meeting of the Representation, the wage policy discussion was introduced both in a statement by the Finance Minister (Per Edvin Sköld) and, crucially, one by the LO economist Rudolf Meidner. The wage policy discussions had by 1949 become much more macroeconomic than in 1939, and much more time-consuming (cf. Table 1). The greater length of the discussion indicates greater contention, showing that the LO level had become much more important as ambitions for wage policy coordination had grown. The prolongation agreement of 1948–49 had provided wage increases across the board, but wage drift was unequally distributed. Gunnar Lantz from the amalgamated United Unions was unhappy with

this issue and argued that the economic improvement should have made room for something other than prolongation in 1949–50, without descending into anarchy:

“Is not there another line? It’s said that either we have full prolongation or we let the bunch loose, and then we know where it’s going. It’s sometimes said that the Swedish union movement is stable and strong. But is not it a declaration of weakness to argue that there is nothing between absolute restraint, prolongation, and each union fighting for itself on its own front?” (18–19 August 1949, p. 39)

While this was an unusually programmatic statement, many voices were raised against another year of prolongation, referring to such issues as the income growth of the farmers, or wage drift in the metal industry. Knut Larsson from the Wood Workers made another more programmatic argument:

”Representation states, that there is some scope for wage adjustments. These should then in the first place come to low-paid groups of workers /.../ Representation should commission the Secretariat to review the member unions’ proposals for wage adjustments. /.../ The Secretariat would then reconcile the proposals, so that the estimated total result of the wage rounds would fall within the framework of what is possible without disturbing the macroeconomic balance. Unless this line can be put through, another meeting of Representation should be called for consultation.” (18–19 August 1949, pp. 47–48)

In retrospect, this statement is a milestone in LO wage policy. It represents the most developed sketch so far of a truly coordinated wage policy and includes the calculation of a “room” or framework for total wage increases; centralized calculation and decision-making about distributing the “room” among the workers; and the transfer of bargaining authority to the centre.

The discussion also extended to the potential size of the total wage increases, which from the Finance Minister’s statement on the economy would appear to be between 300 and 500 million kr, but which the LO economist Meidner claimed to be 600-700 million (18-19 August 1949, pp. 86-87; 22 September 1949, pp. 29–31). Meidner admitted that it was controversial for a functionary like him to take a stand in wage policy debates, and this was not unnoticed. One unionist claimed that “our economists look something like the dervishes of our time. I am aware that we need these people to help us, but something seems to have happened lately. Something must have been added to their food.” (22 September 1949, p. 51. On Rehn and Meidner’s road from controversial young iconoclasts to designers of official LO policy, see Åmark (1989, pp. 69–70). See also Rehn’s statement at the 22 September 1949 meeting, pp.

55-56.) Katzenstein (1985, p. 88) has highlighted the role of experts in social corporatism; the late 1940s-early 1950s mark the breakthrough for economic expertise in Swedish wage bargaining.

In the 1949 bargaining round the LO economists very concretely introduced a more macroeconomic understanding of wage policy. For the first time in the bargaining rounds investigated here, one of them presented an inventory of the wages for all the LO groups. This gave rise to a long discussion about which groups should be considered low-paid and therefore prioritized in the bargaining round, and how this solidaristic aim could be accommodated in a macroeconomic framework (2-3 November 1949, p. 15). In this discussion, the representatives of quite a few unions – the lithographers, brewery workers, transport workers, wood industry workers, paper workers, etc. – debated precisely the issue of which groups were low paid and how this could be determined. As a representative of Wood remarked, “probably no-one among us can explain what solidaristic wage policy means” (2-3 November 1949, p. 35). With hindsight one can say that defining ‘solidaristic wage policy’ was precisely what they were up to in debating the descriptions of various workers claimed to be low-paid by different member unions, with their different demands, and how they could be made to add up to the estimated room for total LO wage increases.

The second big issue, already alluded to above, was the role of wage policy in economic policy. Mohlne from the Factory Workers was certain that “the development will forcefully cause greater planning in wage policy” (2-3 November 1949, p. 68), and Näslund from the Wood Workers was equally confident, proclaiming that “the government should always intervene with union policy, at least when it’s a Social Democratic government”, and that the LO and the government should always consult each other. Engstrand from the Wood Workers argued that since the government by giving a raise to the farmers had already admitted exceptions to absolute prolongation, it should be possible to pursue wage increases for the low paid within a larger framework (*ibid.*, p. 93). Again, in relation to the literature, it is interesting that the Construction Workers are not the criticized groups; rather, LO wage coordination is seen in a much wider context, including government support to farmers.¹ The general tenor was

¹ Note that the Social Democratic government in 1949, led by Tage Erlander, was dependent upon support from the Farmers’ Party in the second chamber. In 1951 the Social Democrats and the Farmers’ Party formed a coalition government. The Farmers’ Party was very keen on farming subsidies, which had been at the core also of the epoch-making 1933 first coalition (the “cow trade”) between the two parties. Erlander (2001, p. 374) wrote in his diary on 22 August that the government representatives had got a thorough scolding from the LO Representation for the new 20 million in subsidies to the farmers. Tensions between the LO and the farmers were a recurrent theme in Erlander’s diary this autumn (Erlander 2001, pp. 379, 381-2, 385-6, 393-5, 411). On the importance of the farmer-SAP coalition for wage policy, see also Korpi (2006, p. 188).

that the age of free wage policy was over, and that somehow under the conditions of full employment a coordinated and differentiated wage policy should be combined with stabilization (*ibid.*, pp. 51-52). Lantz argues that the proposals put forward by each of the member unions added up to about the same as the wage room found by Sköld, which, Lantz argues, refuted the view that the Swedish trade union movement would not be mature enough to supply a differentiated wage policy in a tough economic situation (2-3 November 1949, p. 49). The debate on the issue of a differentiated wage round versus prolongation was lively. In 1949, the argument for prolongation won, with reference to the precarious economic situation (e.g. Geijer, 2-3 November 1949, p. 79), but it seemed clear that coordination and differentiation would replace it in the future. Swenson (2002, pp. 126-7) dismisses the idea that the Social Democratic government was a cause of the solidaristic wage policy, referring to a derogatory remark by Prime Minister Erlander and a criticism from the Finance Minister, Sköld. However, the evidence here shows that, while the government was often critical of the precise formulations and designs of the LO's wage policies, nevertheless these policies were critically shaped by the parameters of Social Democratic governing and its problematics, and they were also shaped in direct dialogue with the government.

1950–1954

At the April 1950 meeting, Sköld was optimistic in his presentation of the economic situation. He encouraged what was called a “free” bargaining round, that is, no prolongation, but emphasized the duty of the unions to keep within the 700-800 million calculated “room” for wage increases (26-27 April 1950, pp. 64-69). The wider political context invoked by Sköld was the need to keep the farmers as coalition partner happy (i.e. by increases in farm workers wages that were not too high), and the diatribes of the Communists against company profits. In the discussion, Knut Larsson from the Wood Workers agitated again for a common wage policy that took account of the scope for wage increases and then a coordinated, planned and fair distribution of wage increases (*ibid.*, p. 72). Interestingly, Larsson was criticized by Rehn, who argued that Larsson's belief in the computing and coordinating power of the LO economists and analysts was excessive. The “dervish” showed humility.

At the August 1950 meeting, the question was how to design the bargaining round to distribute the 800 million of expected productivity growth among the LO's members. The wage policy discussion centred on the degree of optimism, and sectoral differences. The LO chairman expressed his concern over the slow wage increases for export industry workers, but argued that

a return to war-time taxes in sectors with high profits would be preferable to a wage policy for redistributing increases away from the export companies (24 August 1950, p. 38).

In 1951, the LO's official policy was for the first time in the period under review a coordinated bargaining round with differentiated/solidaristic pay increases. The high inflation induced by the Korea War continued, and so did the high profits in certain export sectors. Sköld maintained that "we must attack the profit boom" (26 April 1951, p. 25). Taxation measures were discussed alongside the option of an offensive wage policy. The LO economist Rehn gave a detailed presentation on macroeconomic developments, explicitly in preparation for a possible "directed or collective bargaining round" (23 August 1951, p. 17). LO chairman Strand presented a model whereby the member unions had to commission the LO Secretariat to coordinate the bargaining round; this which might move within the 4 percent overall pay increase suggested by Sköld but would observe differentiation, so that, for example, if the average was 4 percent, farm workers and forestry workers would get 9-10 percent (*ibid.*, pp. 19-20). Lantz from the DFF was jubilant that the Secretariat had come around to the position – a centralized, solidaristic wage policy – that he had espoused in 1949 (pp. 23-24), and Johansson from the Retail Trade Workers was equally positive, encouraging the Secretariat to prepare a reform of the LO statutes to facilitate the new "truly directed, differentiated wage policy" (pp. 27-29). Representatives of the Metal, Forestry, Municipality and other unions also all expressed support for the innovation, but submitted opinions – not without an eye to their own unions' interests – on the way to determine which groups were to be considered low-paid and thus deserving of extra pay increases. Rehn emphasized the difficulty for the economists of calculate the room for wage increases, but did report that 4-5 percent real wage increases compared to 1950 would be possible without "a price increase, which would be too provocative" (8-9 November 1951, p. 17). Finally, then, the LO had arrived at a fully-fledged coordinated wage policy; the wage policy statement of the Representation gave the Secretariat the task of negotiating centrally with the SAF, and instructed the member unions to coordinate their demands (8-9 November 1951, p. 30).

The export sector/home-market sector divide, the fault line which is so central in Swenson's (1991, 2009) explanation of the rise of the Swedish model, featured in the bargaining rounds of 1951 and 1952, but not in the way one would expect from Swenson's analysis. The issue was that the Korean war exports boom had led both to a profits boom in export companies which was politically problematic for the LO and a large wage drift in these sectors, which disturbed the LO's struggle for balanced wage increases (8-9 November 1951, pp. 30-31; 7-8 November 1952, p. 25).

With regard to the actual implementation of a solidaristic wage policy, very concrete detailed proposals were put forward. One of these built on the wage increase per agreement area since 1939, but Knut Larsson's built instead on a calculated average wage per job in 1950 (*ibid.*, p. 56). This concrete proposal prompted a lively debate on the relative positions of saw mill workers, carpenters, painters, plumbers and clothing workers (the women in particular). The decision of the meeting followed the Secretariat's proposal for coordinated bargaining, with 5 per cent average real wage growth, plus an extra tax on the profits of the forestry industry. The follow-up came with an extra meeting at the end of January 1952, when the Secretariat had to report that the employers were demanding central negotiations. The final central agreement gave larger pay increases for low-paid workers and for women, a proposal eliciting much satisfaction. Beyond some criticism from high-wage unions (the Miners, Construction Workers and Book Binders), the main criticisms were that the increases for the low-paid and the special pay rises for women did not go far enough.

After the path-breaking central agreement of 1951-52 (cf. Fulcher 1991, pp. 190-191), the 1952-53 negotiations were more mundane. The previous very rapid economic growth mysteriously slowed down and the LO lowered their wage policy ambitions in response. There was wide agreement on a rather cautious wage policy within a central LO-SAF framework agreement that incorporated an inflation guarantee and some union-specific pay increases. Coordination was now, as Knut Larsson noted with satisfaction, markedly uncontroversial, and previous opponents had turned around (7-8 November 1952, p. 21).

The 1953-54 discussions began with a very pleased Meidner telling the Representation that the economy was very close to stability and full employment, and that trade partners such as Britain, the US and West Germany had also experienced economic upturns. In sum, things were so good that the union movement could continue to get both social reforms – paid vacation days in 1951 were expanded from 12 to 15 – and pay increases (5 November 1953, pp. 6-15). The Secretariat's recommendation for coordination was, however, unambitious: instead, they recommended free bargaining for each union. This awoke criticism from representatives from the Forestry and Logging and Sawmill Workers, who again pushed the issue that the scope for wage increases might be less in the export sectors than in the home-market sectors (*ibid.*, pp. 35-36, 49-50). Sjöberg from the Telegraph and Telephone Workers complained that the free line of the Secretariat did not live up to the coordination ambitions of the 1951 LO Congress, and that this laziness would cause injustice (*ibid.*, pp. 41-42). For all that, the complaints did not lead to any coordinated policy in 1953-54.

The 1954-55 discussions began on a more ambitious scale, when a junior LO economist presented an investigation into workers' benefits. This investigation was intended to be part of the "long-term planning of wage policy", in which not only wages but also benefits would be considered (22 September 1954, p. 7). Real wages had increased by 5 percent during 1953, and the same should be expected for 1954, according to chairman Strand's presentation, despite the widely different LO approaches in these two years. In 1953, bargained wage increases were low and correspondingly wage drift contributed a large share of the 5 percent, while in 1954 bargained increases were higher. For 1955, the LO leadership expected continued productivity growth and hence some scope for wage increases, but was ambiguous on the scope for taking the latter from company profits. LO chairman Strand claimed that profit margins were slimmest in precisely those sectors where workers had the lowest wages, precisely where the LO wanted to pursue the largest wage increases (7 November 1954, pp. 31-34). The recommendation of the Secretariat was cautious and with little coordinated or solidaristic policy; Meidner (1973, p. 34) in looking back was caustic on how far the wage policy pursued in 1954 had shifted from the programmatic statements of the 1951 LO Congress. Representatives, at least those from low wage unions (Farm and Retail Workers), were unhappy with the LO's cautious stance (7 November 1954, pp. 43, 46). Interestingly, Lindgren from the Textile Workers argued for solidarism in the manner that we associate with the Rehn-Meidner model: in Textiles, with stiff international competition, LO support in pushing up wages could "hasten the desirable structural change through worsened profitability and the fact that the marginal companies were outcompeted" (ibid., p. 51). However, the policy decided upon for the year's bargaining round was the cautious proposal of the Secretariat.

1955-59

In April 1955, Meidner had rather pleasant reports for the Representation. First, the economy was between boom and over-heating, especially in the export industries; wood industry production had grown by 17 per cent in a year (21 April 1955, pp. 12-16). Second, wages had increased more than productivity 1954-55. Following the LO's rather passive wage policy of the 1954 round, groups such as the farm workers, food workers, and retail trade workers had received pay increases greater than the average (April 1955, p. 13) Meidner prophesied that wage increases during 1955 would be even higher, and the government would have to step in to moderate the boom.

Optimism over the LO's own capacity also marked the annual bargaining round. Strand suggested that wage demands should be formed with neither with the best companies' room for wage increases in mind, nor satisfied by the room in companies with the smallest margins (ibid., p. 24). The LO should strive for a fair share of increased productivity, but with a more solidaristic distribution among the workers than had been the case in the three last bargaining rounds. For this purpose, greater centralization would be desirable. The time had come for a solidaristic wage policy, argued Strand, and as a cunning politician he would not of course have proffered this argument had he not known that it had support within the organization. Yngve Persson from the Wood Workers argued for the unions to take macroeconomic responsibility for full employment and stability. As a representative for an export sector union he advocated greater continuity in policy, including a 2-year central agreement with effective intra-LO coordination and solidarity; this was supported by the Telegraph and Telephone and the Musicians unions and others. A Construction representative remarked ironically that the construction workers had often been the black sheep of the LO, but now supported coordination. Winroth from Forestry and Logging was happy with the new-found unity, but emphasized that greater year-to-year continuity was needed, with an end to the oscillation between coordinated and "free" bargaining rounds. Furthermore, he argued that the LO should also coordinate with the Union for Professional Employees (TCO) and the farmers so that the latter would not be able to wait for an LO agreement and then leapfrog it (14 September 1955, p. 44).

At the November meeting, the Secretariat could refer to talks with the TCO and SAF who were both in favour of central and coordinated negotiations. At the meeting, representatives of such unions as the Metal, Shoe and Leather, and Tobacco Workers all proposed greater wage increases for the low-paid and women. The emphasis on continuity persisted from the September meeting, with arguments from Geijer of the Metal Workers that union policies should be more long-term than before, and integrated into economic policy and the structural changes of Swedish enterprise. Sture Henriksson from the Secretariat enquired: "Is it reasonable to pursue a policy, where one year you limit demands to a few percent for everyone, while the next year one allows every group to try to get what they can? How does such a policy correspond with the demand for a stable economy?" (p. 55) The Representation agreed to pursue a 2-year central agreement with SAF, with a solidaristic distribution of pay increases. After difficult negotiations (see the extra meeting on 23 January 1956) a central agreement was reached with 3.7 %, or 16 öre, for the low-paid; the total calculated average cost for the employers would be just above 4 % (7 February 1956, p. 7).

In the 1956-57 wage round, the TCO refused to participate in bargaining with the LO and SAF (13 November 1956, p. 26). Geijer, who by now had replaced Strand as LO chairman, expressed an expectation of a 3 percent productivity increase in 1957, and proposed that the frame for the LO's policy should be around this level, but with some room for flexible increases for certain groups. The SAF wanted a central agreement but the LO preferred sectoral agreements. Geijer used the concept "split business cycle" [*splittrad konjunktur*], recurrent during these years, to describe the widely different conditions for wage bargaining in different sectors (and the fact that the SAF would speak at length about the sectors in a less favourable situation), but announced that the Secretariat's proposal would aim at either 5 percent or 25 öre (16 November 1956, pp. 4-6). The solidaristic element of this proposal, meanwhile, was limited to the use of öre increases to get higher percentage increases for the low paid. For example Winroth from Forestry and Logging still expressed support for "some degree of coordination in wage policy" that the proposal represented (*ibid.*, pp. 35-36). Representatives of the Food and Clothing unions, however, requested a greater element of solidarity. The way forward for the LO in negotiations with the SAF was in the end to offer a 2-year agreement (23 February 1957, p. 8).

In the 1958-59 bargaining round, when the previous agreement expired, the LO and SAF again pursued a 2-year agreement (2 October 1958). With a relative downturn of the business cycle, negotiations were now more defensive for the LO, and central bargaining was defended internally by the argument that, without them, weak groups could suffer pay cuts (20 February 1959, p. 5). The LO discussions in this round introduced nothing principally new; instead, what is striking about these discussions, as well as the autumn 1959 discussions in preparation for the 1960-61 bargaining round, is that central bargaining, LO power over the member unions' wage policies, and 2-year agreements were by now almost uncontroversial, and taken for granted. Thus, the transformation that I have sought to reconstruct, was over; the classical "Swedish model" of wage bargaining had been established.

5. Conclusions

The present investigation has shown that the received wisdom on the origins of the Swedish coordinated wage bargaining model is misleading. Industry's wage leadership did not originate with the cross-class alliance of employers and unions in export industry in the 1930s (as argued by Åmark 1988; Swenson 2002; Fregert 2009; Swenson 2009; Svensson 2009), but with the integration of wage policy into overall economic policy in the 1950s.

As discussed in section 2, incentives for responsible wage policies on behalf of trade unions can arise both in coordinated/wage leadership systems (as in Soskice 1990; Traxler and Brandl 2010), and in centralized systems (as in Calmfors and Driffill 1988). While previous research on Swedish wage leadership, in line with the “export-sector bias” (Di Carlo 2018) of comparative political economy, has seen cost internalization in the shape of wage leadership from the 1930s on, wage leadership arose differently and later – in the 1950s, in the context of bargaining centralization. It was not only about export-sector dominance over home-market unions such as construction; instead, it was the unions’ participation in the Social Democratic dirigisme of the 1940s and 1950s.

The Swedish coordinated wage bargaining model which developed only in the late 1940s and 1950s should be understood as part of the Social Democratic project of reining in capitalism. Thus the responsible part of trade union wage policy in these years worked more in the vein of Olson (1990), than in Swenson’s (1991). In this sense, coordination was from the beginning more “macro-corporatist” than sectoral (cf. Martin and Swank 2012). Wage leadership, a sectoral issue, was ironically only established with centralization; while of course one can have a coordinated system (cf. Soskice 1990; Traxler, Brandl and Glassner 2008) without centralization, in the Swedish case the calculation of export industry-delimited room for wage increases arose along with bargaining centralization.

The LO’s chairman Arne Geijer argued in the 1960s for the need for a responsible LO wage policy which internalized possible costs for the wider society, as “society is more or less ourselves and our families” (Hadenius 1976, p. 112). In a situation with almost universal union membership and the dominance of blue-collar work, this statement made sense. The LO in the 1950s or 1960s could not pursue a wage policy without regard to the economy’s overall performance; the “get what you can” wage policy of the 1930s was not possible anymore. Instead, the new instruments of macroeconomics were put to use to calculate the possible scope for wage policy, to get as much as possible without harming the economy. It must also be considered that in this period, the LO’s wage policy gave wage increases even above the high pace of productivity growth (Bengtsson 2015), which meant that the wage share of the national income grew (Bengtsson 2014). Wage policy was redistributive both between different types of workers (Erixon 2008; Johansson and Magnusson 2012, ch. 2), and between the classes, redistributing from capital to labour. Wage policy could redistribute incomes from profits to wages and employee benefits without harming the economy, as consumer demand was boosted by rising wages, and the economies with which Sweden competed, also boosted their wage shares in the same period (Bengtsson and Stockhammer 2018). Swenson’s (1989, 1991, 2002)

argument that within-class conflict matters as much as between-class conflict, or more, is important and brilliantly presented but must not be overstated: the construction of the Swedish wage bargaining model was not only about within-class conflict and cross-class alliances.

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