

**INTERROGATIONS #6 with EOW comments**  
**SOCIOLOGY 924**  
**Session 6: Swenson: Swedish vs US welfare States**  
**October 16 2002**

**Note: I wrote a few less comments this time around, especially on some of the interrogations that arrived pretty late.**

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**[1] Benson -- Chiseling and the need for cartelism**

I am fascinated by Swenson's discussion of the labor market dynamics that cause employers to engage in cartelism, which seeks to create a wage floor below which wages cannot drop. Of course, it is easy to think that employers would always seek to have the lowest possible wages. And, as Swenson points out, there are instances in which the individual interests of some capitalists -on the microeconomic level- are indeed to have the lowest wages possible. For capitalists seeking to *enter* a market, low wages could be in their interest and serve this goal. Entry into capital-intensive sectors such as automobile manufacturing was very difficult. But entry into coal mining or the garment industry did not require such large expenditures. Employers could easily enter both of these markets because the capital required was not extensive and the work could be conducted in small units. Ease of entry was also aided by the low-skill nature of the work: workers could acquire the skills required for carrying out the work in a short period of time, and thus were not in a position to require high wages. Small capitalists seeking entry into these markets would often "chisel" their way in. Chiseling capitalists chipped away at the wage rates customary to a sector, in order to lower the prices of their goods relative to the established producers. This practice created unpredictable fluctuations in prices, and brought about a host of difficulties for capitalists already situated in markets. Chiseling drove down the profits of the established capitalists relative to the entering capitalists. The micro-level interests of the established capitalists were opposed to those of the entering capitalists who saw chiseling as a means of survival.

It is of interest to me that established capitalists acted as a class to create cartelism. For them, it was a serious nuisance to be worrying about market-entry by producers with lower per-unit labor costs than their own. It is also of interest to me that the South continued to be a problem for established producers throughout the Northeast and Midwest. Swenson touches upon the problem of low-wage Southern production in his discussion of coal mining, but doesn't go into it deeply. It appears that the South was a problem for the Northern (Northeastern and Midwestern) producers for at least two reasons. First, Southern producers saw low production costs as a means of entering markets. Second, Southern producers were adamantly opposed to union organizing. However, Northern established capitalists, as a class, understood their own interest in creating a wage floor. An important question emerges: how can a set of relations emerge which create a wage floor? Swenson points out that it *is* possible to initiate unilateral cartelism, at least to some extent. The employer organizations were engaged in this on their own, sharing information about wages and building norms about fair pay. However, capitalists on their own could not effectively carry out the comprehensive cartelism that is possible with a cross-class alliance of producers and trade unions. Hence, coal-mining and garment-producing capitalists initiated a fair amount of bargaining with unions during the early 1900's. Those that could put aside their ideological blinders saw unions as a means of controlling the downward drift of wages caused by those trying to chisel their way into markets. A certain amount of conflict about wages could be tolerated, because this was part of unions fulfilling their obligation in this dynamic process. In essence, the unions were enforcing something (a wage floor) that was difficult, or awkward, for capitalists to enforce on each other. **[This needs some elaboration: why, precisely, is it difficult for capitalist to enforce discipline on each other? And how does unionization solve this "collective action problem"?)** Drawing upon our discussion of last week, I can see that cartelist capitalists were willing to tolerate a range of behaviors on the part of unions, but there were limits to what capitalists would tolerate. In other words, capitalist processes imposed limits on the activities of unions under a cartelist arrangement. Nevertheless, there was a role for unions to play in this process, even within the framework of a capitalist market. **[The other issue in play in the US is the problem of efficiency wages and the conditions needed for this to work. One issue that might need some clarification is why segmentalism is a solution to this problem in some cases and cartelism in others.]**

**The Closed Shop: Controlling access to labor or preventing shirking?**

Swenson repeatedly makes reference (for example, pp. 53, 65, 153) to the closed shop as a maneuver that was somehow beyond the legitimate scope of unions. I think that he is suggesting that unions, by proposing closed shops, were trying to control the access of employers to labor. In the building trades, this observation is certainly correct. Workers had to be trained and approved by the union in order to work for the employers. This type of arrangement certainly makes it possible for unions to bid up the price of labor to above-market rates. Such is likely the case in the situation of the Longshoremens on the West Coast, where laborers are making \$60,000 to \$100,000 per year, and clerical workers are making \$120,000. However, from my perspective as a former union officer, I see a need for requiring workers that benefit from a bargained contract to pay their dues to the union that bargained that contract. On the micro level, the interest of the non-ideological worker is to take home as much pay as possible. In short, the interest of the non-ideological worker is to shirk, to benefit from collective action taken on his behalf but not pay for it. So, I would like to talk a little about what Swenson means by “maintenance of membership” (183) and how this is similar to and different from closed shop practices.

**[2] Weekly Interrogation – No. 6****Jing Sun**

Is corporatism principally a product of labor power? Swenson challenges this conventional wisdom by highlighting the importance of (1) capital support for a corporatist regime, and (2) intra-class struggles within the labor camp. I find his argument that the success of a corporatist state is at least partly hinged upon the consent of employers convincing. **[His claim is really stronger than mere “consent” – it is active encouragement by employers that is the pivot in his view.]** In other words, corporatist state emerged in Sweden not because the Swedish employers had no other choices but to comply, but because they, acting in their own interests, formed cross-class coalitions and thus orchestrated the institutionalization of a corporatist state. By the same token, the withdrawal of capital support played a critical role in the decline of the corporatist arrangement in the past two decades. His emphasis on the intra-class struggles is also linked with his efforts on highlighting the inter-class coalitions. In both cases, he rejects the mythical assumption of seeing capital and the labor as monolithic and homogenous units of analysis. By opening the black box of the capital and labor, he offers a more differentiated picture and suggests that in each camp there are winners and losers.

I have two questions about Swenson’s analysis, both stemming from his emphasis on factional strategies: first is the role of ideology. Swenson contends that strategic motives of the national labor federation were behind the formation of centralization bargaining in Sweden, which subsequently gave rise to a broad norm of solidarity. But is the egalitarian ideology a pure product of instrumental and strategic interactions, or did such ideology also play a role in precipitating the labor to adopt a solidaristic stance in the first place? **[I think Swenson’s view is that this ideology largely followed the practice – made sense of it – rather than it drove the practice.]**

Secondly, I am not sure if he gives sufficient attention to changes of external context under which corporatist states are functioning. Swenson tends to focus more on how the rise and fall of the corporatist state is fundamentally a product of internal consensus or tensions, and does not quite entertain the impact from the drastic changes in the international political economy since the early 1980s. But the massive changes in the international market definitely have a role to play. In the age of globalization, the ability of nation states to pursue distinctive policies is severely constrained. Keohane argues that with cross-border capital movement becoming more and more volatile, all governments are faced with the same pressure, which is to remain pro-business. **[But Sweden was massively pro-business in the 1960s – Swenson’s argument is that it was the unprecedented move away from pro-business solidarism in the 1970s which drove the SAF to abandon the strategy. It isn’t obvious that there would have been any pressure to abandon the 1960s form of solidarism if the LO had stayed with it.]** While the corporatist arrangement emphasizes the coordination and cooperation among business, government, and labor, as Rogowski illustrates, an increasingly open global economy will lead to the weakening of labor, thus weakening the consensus-oriented foundation of corporatism. **[But this is precisely what Swenson**

**challenges for the Swedish case: the Swedish economy was always super-exposed to international competition and the state was extremely probusiness (in his view).]** In brief, I think one needs to look at not only internal tensions, but also external ones, in order to come up with a more comprehensive understanding about the sustaining of corporatist arrangement.

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[3] Sarah Swider

**Week #7: Interrogation 6: Capitalists Against Markets, Peter Swenson**

1) His approach is to show that labor and capital in each country had similar interests in regards to the welfare policy, which originate in the labor market characteristics of each country. However, his focus on class interests as mediated by the labor markets seems to create a rather myopic view and/or definition of class interests. For example, although he alludes to the struggles over “management rights” this is not central to his analysis. **[Well – it is in a way central to (a) his explanation for why the SAF abandons peak associations, and (b) the instability of negotiated segmentalism, since unions are continually encroaching on managerial rights which provides an incentive for capitalists to attack unions when they can. He does argue that managerial rights were not as securely insulated from struggle in the US than in Sweden.]** Yet, during this time period in the US, one of the major “interests” and struggles of the labor movement was over issues very central to the contested terrain over the emerging definition and claims surrounding “managerial rights.” This struggle, leading to one of the bloodiest labor histories in the world, included the intervention of the state. The state, participated in various ways from supplying armies for protection to taking steps to institutionalize the notion of “management rights”. (Contested “management rights” included wide ranging issues such as labor market control (closed shop), layoffs, wage distribution issues, job definitions and autonomy of workers, etc). This fight over who was going to have control over labor, labor or capital, is inherent in capitalist development. Once labor movements lost this fight to the combined strength of the state and capital, they were purged and reconstituted, creating a more “bread and butter” unionism that Swenson analyzes. **[But even his bread&butter unions in the US contested managerial rights more than in Sweden, at least until the 1970s when things changed in Sweden]** The more radical elements who advocated for 1) a different type of unionism with broader goals including an expanded role in determining the production processes or 2) those who advocated for labor’s control over production are not dealt with in his story, or are only on the fringes. My main issue is that labor and capital’s interests’ look similar, but that is only because they were shaped in particular ways through both class struggle and the resulting institutional configurations. When we consider a wider spectrum of labor interests, the welfare programs that resulted serve and strengthen one particular set of interests over others, a set of interests that coincided with capitalist interests.

2) The two issues he looks at to examine class compromise are wage compression and welfare policies narrow the definition of class interests. Wage compression, does not address the issue of how the pie is distributed between classes but rather among classes, making it easier for class interests to coincide. Also, welfare policy, in one sense as shown is a mechanism for controlling labor markets, and these labor market issues fall under “management rights” domain in most cases. As discussed previously, this was hotly contested and already established by the time that welfare states were instituted. **[I think the interesting thing in his argument is that he takes specific policies which virtually all analysts have argued constitute victories of workers against the interests of capitalists and shows that in fact, under the given labor market conditions, these were actually in the interests of capitalists and that is why they in fact were institutionalized. He is not really saying that everything that is in the interests of workers is also in the interests of capitalists, but rather that only those instances where there is an overlap are likely to be able to be institutionalized in a stable way. The critique here is of people who saw these gains for workers as occurring at the expense of capitalists.]**

3) He suggests employer’s strategies varied in each country as a result of the very different labor markets, and these strategies in part explain the varying levels of “overt hostilities. However, doesn’t the tight labor market in Sweden give the Swedish labor movement a distinct advantage (power) that the American labor movement never had? And how can we explain why Swedish capital did not turn to solutions other than solidarism such as reform in immigration policy? **[There is no explanation in the book at all about immigration, which was obviously an alternative way of solving labor market scarcity. However, it**

does seem that the solution adopted in fact was extremely advantageous to Swedish capital since it permanently kept wage growth below productivity growth which would not be likely to happen in an open-labor market situation. In many ways, I think, the question is why the US bourgeoisie never could accomplish what the Swedes did, and there I think issues like size, heterogeneity, etc. probably matter a lot. There is a deep irony here: usually these things are used to explain the weakness of solidarity and organization in the working class, but in Swenson's argument the real issue is more the systemic causes for disorganization of the capitalist class.]

4) Another complimentary strategy to cartelism, or a strategy that has the same affects, is that of market protection offered by price regulation (directly or indirectly through various trade barriers, and regulations of entry into particular markets. It seems that in the US, industries where cartelism was strong and then dissipated, or in industries where it was never a strategy, and alternative explanation could be the rise of these complimentary strategies. **[tariffs only protect from external competition, but not from internal product market competition, which in a large country like the US can be a serious problem]**

5) In his analysis of the US he focuses on the capitalists who are seeking the efficiency wage or those seeking wages above the market clearing wages, but doesn't deal much with those who choose to take the "low road" (those firms or industries in which turnover, training, and recruiting are not an issue). These two groups could potentially represent sub-groups among capitalists, and the resulting labor market policies are not only the result of "class compromise" but also of "inter-class compromise or power differentials". **[Do you mean intra-class compromise here – i.e. a compromise among the sub-categories within the capitalist class?]**

#### [4] # 6 – TERESA MELGAR: SWENSON: CAPITALISTS AGAINST MARKETS

1. *the politics of reform*. Swenson argues that what accounted in large part, for the durability of the New Deal reforms were (a) the fact that the New Deal reformers pursued their reforms with savvy political instinct, i.e. they anticipated what were the emerging market-related concerns of business in the Depression years, and tailored these reforms to respond to some of those concerns, even as the original impetus for these social policies came from labor and other constituencies' appeal for social protection; (b) they tried to prod a cross-class consensus and alliance on these reforms. These strategies, accordingly, made the New Deal reforms more durable, in the sense that they were not rolled back or did not suffer a capitalist backlash, after the legislation that brought them about was passed. I think Swenson does a great service here in calling attention to this important, and desirable property of reforms, and elaborating how New Deal reformers sought to secure long-term durability of their legislation.

Some questions/ comments:

a) *durability via-vis social impact / efficacy*. Based on my own experience at least, I have come to believe that the concern for durability of reforms must also be balanced by the question of social impact or efficacy of these reforms. Sometimes, the imperatives of securing these goals can complement each other, but at other times, they can contradict. In the case of the New Deal reforms, did the concern for durability, impinge, in any way, on the eventual efficacy of these reforms? More specifically, by courting employers' support for these reforms, were the New Deal reformers ever forced to give up certain provisions in their social policy legislation that would have, perhaps, made their impact more encompassing, and therefore potentially more effective in terms providing state support in a time of crisis? **[One example which Swenson gives of a case where efficacy triumphed over durability was in labor law reform – that is, the Wagner Act contained provisions which capitalists hated and which they continued to oppose after it was passed. The result, of course, was the counterattack in the late 1940s where these rules were changed. I am not entirely sure whether one treat efficacy and durability as exactly trade-offs since part of what makes a policy efficacious is that it doesn't get repealed five years later, or subverted in its implementation because of resistance. Remember, "durability" includes effective implementability. There may, of course, be special cases in which what really matters is implementing a reform today and keeping it in place for a few years over opposition, after which it may not matter so much if it gets reversed. But mostly the kinds of reforms we are talking about**

**have a social impact over time, not instantaneously, and thus the robustness of the reform is part of its efficacy.]**

b) *on the importance of cross-class alliances*. On a more general plane, how critical are cross-class alliances for pursuing reform in capitalist societies? Swenson seems to make a very strong argument that they are extremely essential. “Although class compromise does take place, I have concluded that cross-class alliances are the real foundation for *enduring systems* of equity and social protection. In cross-class alliances, there are often losers on both sides of the class divide and it is they who have to do most of the compromising.” (preface, IX). I have my own views about the possibilities and limitations offered by cross-class alliances around reforms, but these are in the context of developing societies. May I hear some views from the class on this issue, in so far as reform in capitalist societies are concerned? Are these cross-class alliances necessary, if not desirable, in most instances for achieving desired reforms? What is the role of contingency or conjunctural events (e.g. Depression in the case of the New Deal) in the making of such alliances? Is cross-class support, in general, a necessary pre-condition for ensuring the durability of social reform? **[Swenson makes a very interesting distinction between the importance of cross-class alliance for passing a reform and for sustaining a reform. He argues that some reforms may be strongly opposed by capital in advance, but that they soon come to realize that they were wrong, and thus come to accept it, even enthusiastically. That is the pivotal issue.]**

2. From Chapter 9, it seems to me that the ability of the New Deal reformers to anticipate how employers might react to their reforms, or to weave through the often contradictory signals coming from business, were rooted in part, to the fairly dense ties and networks they enjoyed with the business community. Without these ties, the “feedback loop” that the New Deal reformers “anticipated and instrumentally manipulated” (p. 244) would not have been possible. To what extent have these ties been theorized in explaining the “robustness” of New Deal social policy legislation? Is this a case of the uncomfortably close ties between business and government eventually generating some broader common good? **[Usually in the literature these sorts of ties are used to indicate instrumental manipulation of policy rather than this kind of more subtle information problem. I think in Peter Evans work on the development state his idea of “embedded autonomy” in part includes an idea of ties as solving information issues.]**

3. Question on labor theory. Is cartelism necessarily associated with enforcing wage and benefit floors? Is it not the case that industries can also act in a cartel like behavior in terms of setting prices and eliminating broad competition? **[The argument here – I think – is that unless wage floor are set, at least in some industries, it is hard to sustain the price-setting and competition-muting. Raising wages is a way of keeping the competition down and preventing ruinous competition in product markets. Now, there may be situations in which restriction of output can be maintained by a cartel without worrying about the labor market, and in such situations the arguments here wouldn’t hold, I think.]**

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#### [5] Shamus Khan Response Paper #6 - Swenson

First let me say that I really liked this book. I found the cross-class alliance thesis quite powerful and interesting, and I was surprised to discover capital’s involvement in the construction of welfare states. Swenson’s argument is that we should look more carefully at the interests of capitalists when thinking about the construction of welfare states. Welfare states should not, then, be understood as capital’s compromise with antagonistic labor; it should be understood as something desirable to capital, something they worked to create. That’s interesting, and it would be even more interesting to read this alongside Offe (oh, that I had the time). I still have 50 pages to go, but I’ll comment on what I’ve read so far. Here are some problems I see:

- 1.) We cannot always equate the interests of workers with the interests of unions. Swenson first sets up his problem as one that challenges the thesis of “competing/contradictory interests of workers and capitalists.” However, his arguments center on organized labor. Labor unions and workers do not, in all instances, have the same interests. The LO’s saving of the SAF in the mid 1930s is evidence of how workers and their unions might have had different interests. **[This is tricky, of course, because workers may also have had an interest in “saving” the SAF if this provided them with greater job security than would be possible if employers were less well organized.]**

- In the US segmentalist case, where organized labor is a minority even at its height and there is an insider/outsider problem generated by the strong efficiency wages & welfare capitalism structure, then unions and workers may have sharper interest conflicts.]**
- 2.) I wonder what percentage of each nations' workers were employed in the big firms that Swenson chooses to look at, and both within this group, and overall, what percentage were unionised. **[Within the private sector labor force, Sweden has a higher % of workers in large firms than in the US; and a vastly higher % unionized in firms of all sizes]**
  - 3.) In the American case Swenson does not take labor unions seriously enough. He talks of them as "foot dragging" (50), "reckless," "impatient" (51), undertaking foolish actions (52), having imprudent leaders who could not take advantage of good opportunities that were based on shared interests (63). The picture drawn in the early period is one where capitalists are rational, unions are not. However, one might explain the move from Cartelism to Segmentalism as one predicated on union militancy. That is, on the legitimate threat of union militancy. Swenson does a better job later on of thinking of unions as rational actors (especially when thinking about the New Deal, pp. 204). But even here we get the sense of unions as failing to see the benefits of programs if it means cooperating with capital. If Swenson is right to argue that unions do in fact act this way, I would want to know why. Overall were unions not optimally rational, if so, why? If they were optimally rational and chose not to cooperate with capital in the construction of welfare and work policies that would have been advantageous at the level of wages/benefits, why? Why did they drag their feet, act impatiently and imprudently, and even at times, recklessly? I understand why Swenson concentrates on capital, given the emphasis on labor within the literature. However, if the introduction of this new factor leads to different conclusions about labor, I'd like to hear them more clearly articulated. **[Very interesting set of observations here. Perhaps one of the missing elements in the problem of "trust" – the Przeworskian problem of the extent to which workers can believe the promises they are told by capitalists. In Sweden Swenson argues that the painstaking trust that had been built up in the 1920s and 1930s and then deepened in the postwar period was destroyed in a very few years of "excessive" radicalism in the 1970s and that it could not be retrieved. He does sometimes make it seem that the problem is more on the worker side than the capitalist one – workers being seduced by the mythology of worker power, etc. On the other hand, he does continually talk about the ideological rigidity of the political parties linked to the bourgeoisie and the difficult task of winning capitalists over to policies which might seem threatening but which were not. "Ideology" seems to get in the way of both working class and capitalist class capacities for forging cross-class alliances.]**
  - 4.) In the Swedish case Swenson does not adequately explain why the SAF was able to orchestrate multi-industry sympathy lockouts (81). He argues that, "Sweden's small size and the relative cohesiveness of its capitalist class made it practical for employers to organize and communicate effectively enough to carry out this and subsequent measures" (77). He also argues that Sweden's place in the global economy (the loss of laborers to America and its low productivity relative to the US, Germany, and Britain) created this kind of solidarity in the SAF. However, it is clear from the Carl Kempe case (as well as that of the miners in the north) that it was in the interests of particular employers to defect from the low wages set by the SAF. Many countries at this time were small and had a small capitalist class. Most still felt the productivity pressures of the US, Germany, and Great Britain. Perhaps the hinge of Swenson's argument is on the "cohesiveness" of the capitalist class, but I would want to know why the Swedish case in particular had such a cohesive class.
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[6] César A. Rodríguez

929-Memo #6

Swenson's *Capitalists Against Markets*

1. In reading Swenson's gripping account of the cross-class alliances underlying labor market and welfare state institutions in Sweden and the US, I was struck by the marginal role played by the Swedish state vis-à-vis labor market governance. As told by Swenson, the Swedish story is one in which centralized business associations and unions forged a solidaristic labor market while the state, even after the rise of the Social Democratic party to power in 1932, remained mostly as a passive witness. **[at least until the active labor market interventions, which were big-time state regulations/intrusions]**

In order for this to make sense in terms of electoral politics –i.e., in order for the Social Democratic party not to lose votes in future elections for not adopting a more proactive stance- the attitudes of workers *as union members* and their attitudes *as voters* must have been quite similar. Put differently, the party could have afforded to remain passive only if the deals struck between the business association and the union confederation were also popular among most of the unions' rank and file, which constituted most of the voting population. Given that Swenson's account is much more detailed on the strategies and decisions of union leaders (specifically the heads of the LO) than on the views and actions of the rank and file (about which he says very little), it is hard to assess whether that was the case or not. However, with a view to our discussion in class and based partially on Przeworski, I submit the following hypothesis.

If we take Przeworski's definition of the working class, it follows that the social democrats had to secure the vote of both such a class and the middle class. Given that solidarism pushes up the wages of unskilled manual workers, which constitute the backbone of Przeworski's working class, it can be expected that they would support such a system of labor market governance and thus vote for a party that endorses it. However, given that solidarism's wage compression also entails that salaries of middle-class workers –e.g., professionals, skilled manual laborers, managers, etc.- are set below the market clearing level, it is not obvious why such workers *as voters* would support the system. **[Remember, the SDP in Sweden rarely got much above 40-45% of the vote, and only once – I think – more than 50%. It didn't really get a substantial part of the professional voters until the expansion of state employment in the 1960s. As for skilled manual labor, they benefited from the job security of the wage compression policy.]** In other words, Swedish middle-class workers went along with solidarism because –in an extremely centralized industrial relations system- they had no option but to belong to the unions that supported it. But that hurt their interests, for example, as consumers, inasmuch as their purchasing power was very much below that of people in similar occupations elsewhere. Given that as voters they were not restrained by their membership in the unions, one would have expected them to vote against a government that simply rubberstamped solidarism. But the historical record seems to show that this was not the case, as the social democrats remained in power for several decades.

Thus, the question for discussion is whether solidarism as a labor market governance system is compatible in a democracy with the kind of passive Swedish state portrayed especially in Chapter 6, or whether it requires the state to take up a more active role in order to ensure the requisite electoral support for the incumbent government. How does the state ensure the support of the middle classes in such circumstances?

2. Although Swenson doesn't tackle the question explicitly, it would be worth discussing exactly what the key causes of the different institutional paths taken in Swedish and US labor markets –i.e., solidarism in Sweden and segmentalism/cartelism in the US- were. Given his attention to detail and historical sensibility, Swenson seems reluctant to make a strong case for "ultimate" causes of the emergence of such diverging paths. However, he hints at two key differences between the two countries that constrained the choice of labor market governance mechanisms: immigration (high in the US, negative in Sweden) and country size. Since Swenson is interested in *stable* institutional equilibria (thus his interest in cross-class alliances rather than cross-class compromises), we could, for the sake of the question, put aside some of the historical details provided in the book –e.g., the fact that there were attempts at solidarism in the US and at segmentalism in Sweden- and ask whether in a small developed country with a chronic problem of labor scarcity like Sweden any *stable* equilibrium other than solidarism could have obtained. At times, Swenson's account suggests that in such a context solidarism was the only possible solution to ensure capitalist production. Similarly, in a vast developed country with high immigration flows like the US,

solidarism would be a highly unstable equilibrium and thus a combination of segmentalism and cartelism takes place.

Indeed, the strong pressure towards settling on these paths is revealed by the fact that it took and exogenous force –i.e., increasing international competition in the early 1970s- to disrupt them. Had it not been for such a change in the external conditions of the economy, for example, worker radicalism in Sweden would have probably brought back into line with solidarism, rather than given rise to its abandonment. **[I agree that these are important questions. There are times in the analysis in which it does seem that solidarism is the ideal policy for capitalists and that Segmentalism is a kind of patch-work second best, which adds to the issue of what explains the stable institutional equilibrium of solidarism in one case and not the other. I think size and heterogeneity in the US may be pretty decisive here. It is not clear, however, why immigration into Sweden wasn't seen as an option. Perhaps in the 1920-30s it was just possible, and by the time a guest worker project could have been instituted in the 1950s the practices of solidarism were already firmly in place. Also, I think, Sweden had pretty low productivity – which is why there was so much emigration from Sweden – so perhaps it just wasn't an attractive place for immigration in the crucial period in which the institutional equilibrium was established.]**

[7] Matt Vidal

I have gotten quite behind this week for a couple of reasons and have only had the opportunity to get through the first hundred pages of this extremely engaging book. So I just have two questions for now.

- 1) On cartelism and segmentalism, is he trying to have these categories replace the traditional way of seeing the economy in terms of sectors (e.g., primary versus secondary, monopoly versus competitive, etc.)? Or are these a supplement, or fortification, or something else? In his introductory exposition, I read him to imply that cartelism occurred in the secondary labor market/competitive sector (“small-scale, easy-entry industrial or service sectors), and that segmentalism occurred primarily in the primary/monopoly sector. However, this identity or parallelism seemed not to hold in the substantive deployment and explanation, as we see segmentalism emerging out of cartelism. So, do segmentalist arrangements obey no boundaries, in terms of product market, labor market, etc.? **[I think segmentalism emerges out of failed attempts at securing cartel solutions in sectors where this doesn't work very well – or in which cartels are legally repressed. The stable equilibria of the institutional forms does overlap with the primary/second distinction insofar as segmentalists will all be in the primary sector, but not everyone in the secondary sector will be cartelists/]**
- 2) And what about the others, those actors existing outside such arrangements? I didn't see any justification why segmentalists (or solidarists) should be more causally important than the non-segmentalists? Perhaps this is what the narrative is supposed to show. But I still wonder about the chislers (US) or paternalists (Sweden): who were they, how many of them were there, why were they not important? In any case, if we want to talk about the interests of capital, their variations and effects in LMs and welfare states, it seems like we should also address the “others” more systematically. Was it that powerful alliances formed which then found political reformers? What about for the industrial relations system—did the segmentalists just dominate and hence play the key formative role? **[This is a good empirical problem: what % of the labor market is actually organized under these different modalities. It seems that in Sweden by the 1960s most of the labor market is organized under solidarism, but in the US there is a large component of the labor market that is outside of the segmentalist or cartel regulation.]**
- 3) Is his use of welfare capitalism the “traditional” or standard one? I've understood it in terms of the welfare state in capitalism, rather than as a firm-level concept. **[“welfare capitalism” is a standard term for firm-level benefit programs of the sorts he describes.]**



**[8] Matt Dimick**

(1) I agree with Swenson that it is incorrect to assume (especially in his context of comparing the U.S. and Sweden) “too much about capitalists’ interests against reform,” meaning that we shouldn’t assume that employers everywhere are monolithically opposed to welfare state reform. Swenson says the same thing with respect to capitalists’ interests vis -à-vis workers. Thus, Swenson is skeptical about explaining welfare state development and variation exclusively in terms of Left wing political power. One question I have is how much can working class economic power explain the variation in Swedish versus U.S. labor markets? If working class organization is the ultimate or most important factor for explaining the differences between the respective labor markets, then it seems that “the class struggle” (albeit distinguished from the “political class struggle”) can still explain a lot, even within Swenson’s framework. Does Swenson agree?**[I do not think Swenson would agree with you claim that “working class organization is the ultimate or most important factor for explaining the differences between the respective labor markets.” He would say, in anything, that it is capitalist class organization which is most pivotal. It was the capacity of Swedish capitalists to successfully execute the lockout strategy – which depended upon their organizational cohesion – that generated the impulse towards labor market regulation of the soldarist variety.]**

(2) Swenson draws on efficiency wage theory in his analysis. In particular, he uses efficiency wage theory to explain both unemployment and labor market segmentation. For the unemployment scenario, the argument is that when a firm offers supracompetitive wages, then the employee will work harder (not shirk) because of the added cost the higher wage represents if the employee were to be fired. But if one firm benefits from higher effort then other firms will follow suit. In this case, when *all* firms pay high wages, then the cost of termination isn’t the lower wage (because all employers pay high wages) but the cost of being unemployed for a period of time. In the labor market segmentation theory, the argument is that only some firms/industries pay supracompetitive wages, usually because of more stable product markets, lower intraindustry competition, different capital/labor ratios, etc. In other industries, competition is such that employers will bid wages down. So my question is whether using efficiency wage theory to explain both of these phenomena is consistent. It seems that as long as you have a competitive (or peripheral) sector, then wages will always be bid down until there is *no* unemployment. Efficiency wage firms may reduce the quantity of labor employed in their labor markets, thus temporarily creating unemployment by increasing labor supply outside of their labor markets. But if the competitive sectors really are competitive they should bid wages down even below the level they were paying before labor supply increased, until there is no (involuntary) unemployment. One could reply that other factors would generate unemployment (search costs, other transaction costs) but this would cut against the use of efficiency wages to explain unemployment. Thus, I have the feeling that Swenson is using efficiency wage theory in a somewhat ad hoc way. **[The general argument in efficiency wage theory is that all firms pay some efficiency wage component – and this would be true even in Sweden in so far as workers would be worse off if fired – since all firms face a problem of the costs of monitoring workers performance (i.e. information about workers performance is never transparent). The issue is that in some firms, efficiency wages generate large rents and others, small rents. But you do have a point still: so long as there is a sector with relatively low rents, why doesn’t it just expand employment until there is only minimal unemployment? The answer must be either that there are macro-economic reasons which undermine the level of investment (either because of scarcity of capital or lack of profitable markets for products) or that workers have a sufficiently high reservation wage from other sources – family, welfare states, unemployment insurance, etc. – so that there is a constraint on the low wage market.]**

**[9] Memo#6 Landy Sanchez****1. About the concept of cross-class alliance**

Swenson offers enough empirical evidence to sustain that capitalists were not necessarily against welfare policies or labor market regulations, and that in fact in several cases they were supporters of them as long as these policies would respond to their own product and labor markets imperatives. Nevertheless, it is not clear to me how useful is the cross-class alliance concept. It seems to me that he uses it in two distinctive cases. In one hand, to describe “critical” situations where both labor and capital organizations share a

common challenge, and to solve it they arrive to certain agreement. Even though it is not always clear how these “emergent” actions can derive in long-term agreements, it is clear that both parts identify that it is in their own interest to concur. In the other hand, in many passages Swenson uses cross-class alliance concept to account for situations in which capitalist set up the agenda, defining the objectives and limits of the policy, and even in certain cases define unionization. Thus, labor organizations basically conform to capitalists directions. We can account for these cases using, for example, power balance or compromise explanations. His contribution would be to highlight the “weight” of capitalists’ intervention in shaping welfare and labor policies, but I do not see why his explanation would be analytically different from others.

**[The idea of a class compromise implies that the position adopted involves a quid-pro-quo in which the policy is somehow between the optimal interests of workers and capitalists, but better than the fall-back position – usually because of the implicit threats each can impose on the other. A cross-class alliance seems to suggest a convergence of interests or a zone of interests within which convergence occurs. This can be because certain options are “off the table”, of course – and that may be because of capitalist power. But given those parameters, then the solution is the best for both parties, not really “between” their best option. In Swenson’s specific analysis the striking argument is that certain policies which everyone has assumed were in fact compromises in which the capitalist class made significant concessions to workers, in fact involved no concessions at all, but were the optimal policy for capitalists.]**

2. My second comment is about the three labor markets capitalists’ strategies.

a) Swenson defines labor market strategies as “employers’ immediate interests in managing and shaping labor markets for their larger objectives in market competition” (p. 22). These strategies deal with three central issues: the price of labor, incentives to improve productivity, and to secure “a reliable supply of labor, with an appropriate mix of skills” (p.22). When he describes cartelism and segmentalism strategies, it seems that how employers deal with the previous issues is closely connected, if not a derivation, of product market structure. Thus, in certain industries like mining, building and garment industries where there are low entry barriers cartelism will arise, while in others segmentalism will dominate. He makes a strong connection between this “technical” or “economical” determinants and the labor market strategy chosen by employers. To me, this connection makes difficult to explain variation in employers’ strategies within the same industry, as well as variation across country. In these terms, it is difficult to understand the key factors that explain the differences between USA and Sweden. **[Interesting point. I think what Swenson would say is that these technical determinants centered in firm structure and product markets make certain solutions to the three problems easier or harder to achieve, and this is why you get some segmentalist tendencies in some Swedish sectors, for example, and why clientelism can be tried, but will be less stable, in some sectors. There is thus room for other factors to explain variation]**

b) It seems to me that sometimes Swenson stretches out the connection between market structure and labor strategy. In the cartelism case, he argues that employers (and workers) confront the problem of low-wage competitors, and to block them, they will allow the emergence of unions and the establishment of minimum standards. But, it doesn’t seem to be the only “reasonable” strategy, why don’t compete by lowering your own wage levels or standards, in that case all employers will face the same “risk” of turnovers or low productivity, but none will be in disadvantage. **[But this just leads to intensified competition – and that is what employers want to escape. This would lead to more competitors in the market, whereas the minimum standards strategy makes it harder for some firms to compete.]** There are also other possibilities, for example to use home based paid work. In fact some studies show that this type of work was pretty common in the garment industry during the beginning of the century (and of course now also). In the segmentalism case, he claims that some companies will pay high wages to secure stable and skilled labor forces; they will promote welfare capitalism to protect their advantages in this issue, but at the same time they will favor policies that increase the cost of their competitors such as compulsory social insurance (funding through government taxation). But, I think the literature about segmented labor market (at least one part of it) has shown the interdependence between the core and the periphery labor markets, and the fact that several times a single company segments its own labor forces in several contracts. So, why some of them will be willing to increase their own cost of production? **[The argument is that all of these benefits, job ladders, employment rents, etc., generate greater increases in productivity than they do in costs, and this is why it is desirable. When this relationship breaks down – when the productivity gains are not sufficient to compensate for the cost increase – then capitalists begin to erode all of**

**these internal rents. As to the conditions under which all of this can occur – I think mass production, large firms, and relatively muted international competition all played a role according to Swenson.]**

3. I have a hard time trying to figure out the notion of state autonomy in Swenson's approach. In the part about labor markets, labor regulation (national, by sector or company) is the product of capital and labor's strategies (more the first than the second). State actions basically reflect the agreements between both actors. But when he analyzes welfare policies, state actors seem to have a greater capacity to insulate from any interest (either social forces or capitalists) and "maximize" cross-class alliance by "selecting" demands and promulgating legislation that expands the time horizon of the alliance. **[The state in his view has no autonomous interests, only an autonomous capacity, which is basically a capacity to stretch time horizons and plan, taking into account longer term consequences than individual capitalists typically do (perhaps because they wear ideological blinders).]**

#### [11] Robyn Autry #6

Swenson shows that employers' interests and variable labor market regimes explain much of the differences in American and Swedish welfare states. I found his research especially interesting as it reveals the diversity of the capitalist class and questions popular assumptions about capital's uniform resistance to social reform. However, can we extend Swenson's analysis to understand how political leaders and policy-makers interpreted or understood employers' interests and business strategies? Given that labor markets and employer interests varied both within and across industries, policy-makers were in the position of distilling common objectives and interests among both competing and distinct groups of capitalists. **[I think this is where the issue of the degree of organization of the capitalist class becomes critical for his analysis in Sweden: state elites do not have to really figure out some unified interest of capital; they have to interact with organized capital. IN the US, where capital is less organized, the story gets more complex.]**

Since employers had variant regulatory interests and labor market strategies, the state was in the position to privilege some over others. Also, to what extent were political leaders responsive to capital's interests above other interests? It seems like this would vary considerably between the United States and Sweden. In both settings employers were able to influence social reform, but it seems that other factors, such as race and gender relations, were also instrumental in shaping social policy. **[Swenson almost never mentions gender or race. It is really quite remarkable to talk about the US welfare state and labor markets without race entering the story. Indeed, in the story about the changes since 1970s in the US at the end of the book, not a mention of the racialization of welfare, AFDC, etc. is made. I assume that this is in part because he is only examining those features of the welfare state that directly bear on labor markets and their regulation, rather than those bound up with marginalization, but it still seems like a big gap in the analysis.]**

#### [12] Pablo Mitnik

Some things that might be interesting to discuss regarding this GREAT book:

##### 1. The logic of solidarism.

According to Swenson, solidarism in Sweden was the result of a cross-class alliance between employers and workers. It is not completely clear, however, that in the 30s, 40s and 50s this was really an *alliance* between classes or fractions of classes. First, *what did workers exactly obtain from their participation in the alliance during those years?* Wage compression and the adequate management of a very scarce pool of labor were the main goals of employers. Was wage compression also something that workers wanted? I think Swenson's evidence for this is rather weak – close to nonexistent, if we compare it to the torrent of evidence he offers regarding employers' interests. Guaranteed investment, a class compromise *a la* Przeworski? To the best of my knowledge, an idea like this is not mentioned even once in his analysis. In

page 29 Swenson suggests that one reason for workers cooperation is that employment would be higher under solidarism, but a) analytically, this is not necessarily true (the level of employment under solidarism may be higher, equal or lower than under segmentalism, for instance; this is easy to show, but requires drawing some graphs, something I cannot do here) **(Solidarism per se may not ensure lower unemployment, but the specific implementation of solidarism in Sweden might have – i.e. a form of labor market policy that guarantees that wages are permanently kept below productivity increases, so that there is excess employment – you can employ more people as a result)**; b) the marked scarcity of labor in Sweden even before this period suggests that full employment was not a concern of workers; c) he never mentions this argument again in his historical analysis, nor offers any evidence indicating that LO was worried about unemployment. **[But remember: there was a world-wide depression at the time these institutions first emerged, so I imagine that unemployment was on the minds of unions. That is, in any case, the usual claim]** Second, why is this an *alliance* and not mere *domination* of workers by capitalists, or *cooptation* of LO leaders by employers? Why should we think that LO was in these decades something more than SAF's deputy? The fact that workers and their organizations were doing the best they could given the truly amazing amount of power that capitalist had (because of their capacity to implement lockouts) doesn't mean that they were partners in an alliance. Indeed, what concrete concession did they obtain from employers in that period? Employers needed and wanted centralized wage setting – given the existence of syndicalist and communist unions not exactly persuaded of the advantages of a class alliance with capitalists. They got it. They wanted wages in the period to be compressed not because of a sudden concern with equality as a social value, but as a means to keep wages consistently low – in order for Sweden tradable sector to be able to compete – and to allow a better rationing of workers among all sectors. They got both things. What did workers get?

## 2. Efficiency wages theory and its predictions.

According to efficiency wages theory, we would expect above equilibrium wages in firms which “utilize sophisticated, expensive, and secret technology, where shirking, quitting, absenteeism, low ability, and worker ill will (leading to sabotage, theft, and spying) are extra costly” (p26). In the context of solidarism, firms in Sweden could not use efficiency wages. As a substitute, they resorted extensively to piece rates instead of hourly wages. This solves some of the problems mentioned above (effort extraction) but not others. If efficiency wages theory is right, this should have generated important problems for firms using “sophisticated, expensive and secret technology” – still more given that the rate of unemployment was so low, that losing a job had a close to zero cost for the worker. However Sweden introduced advanced technology and increased its productivity at a very fast pace, and there is no indication in the book that any of the above problems was unusually frequent. Was there a functional substitute for efficiency wages? Did unions play a role in this? May this be an anomaly for efficiency wages theory? **[Good question – there is really little discussion of the labor process in the book, on how responsible effort and monitoring were accomplished, on how loyalty was achieved, etc.]**

3. According to Swenson's account, employers' mild opposition to unemployment insurance in Sweden was motivated by three fears: that it would bolster union militancy, that it would reduce the mobility of workers; and that it would help drive workers into unions. SAF, however, didn't oppose it much, and after two years even showed sympathy for its full expansion (p260). In the framework of Swenson's account, this seems very anomalous, i.e., it seems anomalous given SAF's concern with the scarcity of labor. Unemployment insurance should surely reduce the availability of labor, given that it allows workers to search for a job for longer periods of time, and makes the situation of low-paying industries still more difficult. How can we explain SAF's position in this case? Would a “balance of power” explanation for SAF's lack of *active* opposition be appropriate in this case?

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**[13] Matt Nichter**

I found Swenson's critique of the 'equivalence' assumption cogent, his call for closer investigation of the varying nature of capitalist interests in different (labor market) contexts justified. I was not fully convinced, however, by many of the details of Swenson's historical argument, especially for the U.S. case.

His explanation of the origins of 'segmentalism' and 'cartelism' in the U.S. is poorly developed. So, for example, the alleged strength of craft unionism is not a very convincing explanation for the rise of segmentalism, since plenty of other countries with stronger craft traditions did not evolve segmented labor markets. **[Maybe not full-blown segmented labor markets, but lots of countries did develop internal labor markets, firm based welfare policies, etc. and the other mechanisms that tie workers to firms and enhance their loyalty. I don't know about the cross-national association of such "segmentalist" mechanisms and early strong craft unions – it would be worth investigating.]** The federal structure of the U.S. political-legal system and persistent racial antagonisms – both legacies of chattel slavery – should figure centrally in the explanation of the rise of segmentalism and cartelism; Swenson dismisses the first and ignores the second.

Swenson admits that the 1935 National Labor Relations Act saw a "vicious and virtually monolithic attack from the business community," cartelists included. He also admits that policy makers were acting in response to mass pressure -- but insists that politicians expected capitalist opposition to wane after the Act's passage given its *objective* benefits to a fraction of capital. Swenson's denial of the central importance of class power to the passage of the NLRA arguably gains much of its force from his failure to discuss the tumultuous events of 1934: proto-insurrectionary general strikes in Toledo, Minneapolis, and San Francisco led by socialists and communists; and the national textile general strike. Only by a bit of a stretch can this situation be compared to that of Sweden during the 50s since, according to Swenson, in Sweden core capitalists *subjectively* desired the welfare policies sought by the labor movement. The U.S. reforms would seem to be genuine concessions to the (disruptive) 'power of labor' – certainly in terms of subjective capitalist desires, and arguably in terms of objective capitalist interests as well. **[I think you are right for the NLRA – It is hard to see this emerging mainly out of farsighted views of the interests of capital. And of course, this was the one New Deal Reform which, after WWII, gets severely undermined by the capitalist reaction. I am not sure that this undermines his more general account of the form of labor market regulation in the US and its relation to capitalist interests.]**

**[14] Amy Lang****Question on Swenson, *Capitalists Against Markets***

The questions I raise have to do with Swenson's characterization of the role that idiosyncrasies, interests and ideology play in the formation of cross-class alliances. In his analysis of the development and implementation of American social policies in the 1930s, Swenson characterizes the few businessmen who were open to and influential on New Deal policies as both "idiosyncratic" (p. 194) and capable of articulating their "objective interests," that is, their interests as predicted by cartelism and segmentalist equilibria. He also labels these men "corporate liberals" which could be interpreted as implying that a broader worldview (or ideology) may have influenced their actions. On the other hand, those who vocally opposed the development of these social policies (notably the public proclamations of the National Association of Manufacturers) are labeled ideologues (p. 210), although at times he also marshals arguments about business leader uncertainty, and objective interests (particular sectors might be objectively more or less interested in vocally supporting a particular policy initiative) to explain the lack of overt support for policy initiatives. Overall, his explanation for capitalist support of social policy seems rooted in the "objective interests" of controlling labour supply, but if this is the case, he still has a real problem in trying to explain away the vocal opposition of the NAM and others, given that their "objective interests" are close to those of the corporate liberals. Arguing that they irrationally adhere to ideology leaves us begging the question of how and why some capitalists are ideologues and some are able to see through the fog to their objective interests.

An alternative explanation would run along the lines of Domhoff's (1990) research (I'm surprised Swenson didn't address this in detail), which posits different sets of "objective interests" structured around the

geographic scope (international, national, Southern, local) of various sectors. From this model Domhoff can explain differential support for New Deal policy initiatives in terms of interests, without invoking ideology or idiosyncrasy. While Swenson should be praised for producing a precise model of the policy consequences of a *specific* interest in controlling labour supply, it may be that capitalists (who are involved in multiple arenas of competition) have other interests that have to be balanced out with the labour supply issue. Thus, it may be unnecessary to invoke “ideology” in the way that Swenson does, but instead consider the issue of competing interests.

All of this is not to say that I am opposed to introducing ideology (or idiosyncrasy for that matter) as an explanation for action, *at all*. I just think that if you’re going to do it, you should apply to it the same precision you apply to your analysis of “objective interests.”

And another question: is it generally accepted to talk about “objective interests” in class analytic work? What are the conventions for deciding what these are? Is it still acceptable to argue that people experience “false consciousness”?

**[I like your skepticism about Swenson’s deployment of “ideology” whenever a party – like the Conservatives – or particular capitalists act in ways that seem contrary to their “interests”. Ideology functions here pretty much like false consciousness in other discussions. The same is true for his account of “excessive” militancy of workers in the 1970s – they were seduced by an ideology of overly radical egalitarianism that unraveled the previous institutional equilibrium.]**

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