Socialising capital: Looking back on the Meidner Plan

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'Experience has taught us that the free market forces guarantee neither full employment nor equality. To give the highest priority to these goals means challenging the principles of the capitalist system which is based on the profitability of privately owned capital'.
– *Rudolf Meidner, 'Why Did the Swedish Model Fail?' (1993)*

'Accumulate, accumulate! That is Moses and the prophets'.
– *Karl Marx, Capital Vol. 1 (1867)*

The radical 'Meidner Plan' for wage-earner funds in Sweden in the mid-seventies was one of the most promising roads not taken by the European left in the second half of the twentieth century. Had it been implemented in full, it could have marked a major shift within social democracy from income redistribution to asset redistribution, thereby setting course for an inexorable transition to economic democracy through the gradual socialisation of all major industry. Today, the genesis and fate of the wage-earner funds can provide a valuable historical perspective on the challenges of democratising wealth, while the core components of Meidner's innovative proposal—the share levy and collective ownership of capital—are ripe for reconsideration and recovery given yawning inequality and a widespread and growing sense of the need for a very different pattern of political economy.

A road not taken

Lost among 2016's great anniversaries—the centenaries of the Battle of the Somme and the Easter Rising—was a lesser anniversary that passed entirely unremarked and yet, for the European left, represents one of the most promising 'might-have-beens' of the last quarter of the twentieth century. Forty years earlier, in 1976, Sweden's trade unionists gathered at their quinquennial Congress and adopted by acclamation a visionary new policy proposal that came to be known, after its famous author Rudolf Meidner, as the 'Meidner Plan'. A radical response to the strategic problems facing the labour movement at the time—the trade-offs between full employment and price stability, on the one hand, and equality and efficiency, on the other—the Meidner Plan's initial object was a more equitable distribution of the gains from growth. From the beginning, however, Meidner was looking beyond this to a still more profound problem of political economy, namely 'the far greater dilemma of how

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profitability and an increase in private capital formation are to be combined with democratic control over the process of capital formation itself' (Meidner, 1978, 14).

The German-born Meidner, chief economist at the *Landorganisationen*, or LO, the Swedish trade union federation, was a 'visionary pragmatist' (Blackburn, 2005a) and one of the twentieth-century left's most creative practical thinkers. Born in Breslau in 1914, Meidner was exposed as a youth to the sophisticated economic debates among German and Austro-Hungarian Marxian and socialist thinkers like Rudolf Hilferding and Karl Polanyi, before emigrating to Sweden in 1933 having fled Hitler's Reich. He went on to co-design the renowned Swedish Model of social democratic welfare capitalism. Today, Meidner is a somewhat neglected figure, but—as Robin Blackburn has argued—would have made a worthy recipient of the Nobel Prize for Economics (Blackburn, 2005a). The clarity and precision of his thought, together with the substantive content of his boldly egalitarian proposal for collective share ownership, suggests that Meidner may be one of those 'new ancestors' we so urgently need for the construction of our 'next civilisation' (Wark, 2015; Guinan, 2015, 11).

Meidner's proposal would have functioned to steadily transfer the ownership of enterprises to their workers over time, combining industrial democracy at the firm level with the broad exercise of collective control over investment throughout the economy. This was to be accomplished via a repeated share levy on all businesses above a certain size—fifty or a hundred employees, depending on the version (different ones circulated in various drafts for years)—which would be required to issue new company stock equivalent to a percentage of corporate profits. To safeguard capital formation, this stock would not go individually to workers but would instead be entrusted to a network of purposely created workplace and regional public bodies—'wage-earner funds,' or *löntagarfonder*—which would maintain the investment as working capital within the firm and direct the returns to agreed-upon social purposes (Meidner, 1978, 45). Voting rights would be exercised within the company by local worker representatives until wage-earner shares reached twenty per cent of equity capital, at which point they would be transferred to fund boards appointed by national trade unions and other social interests and managed for wider public purposes (Pontusson, 1994, 29).

The underlying rationale for the Meidner Plan was the need to recover in some form the windfall 'excess profits' of high-performing companies in order to maintain the 'wage policy of solidarity' that was one of the key pillars of Sweden's distinctive 'Rehn-Meidner' economic model (Meidner, 1978, 13). But in shifting the focus of social democratic strategy from the

sphere of distribution and consumption to the sphere of production, it was clearly an example of the construction of what Ernst Wigforss, the influential labour movement theorist, called 'provisional utopias' (Meidner, 1993, 219). When the plan was adopted—unanimously—by the LO in 1976, the vote was marked by a standing ovation and stirring rendition of the *Internationale*. There was good reason for this exuberance on the part of Sweden's trade unionists. Assuming a share levy equivalent to twenty per cent of gross profits, Meidner calculated that firms making ten per cent profit per year would be majority worker-owned within thirty-five years (Meidner, 1978, 59). Implemented in full, with repeated share disbursements on an annual basis—as was the original intention—the wage-earner funds would have made the workers 'masters' of the Swedish economy within decades (Blackburn, 2002, 15), amounting to 'the abolition of private ownership and control by the capitalists themselves' (Sassoon, 1996, 708). What had begun as a technical exercise in correcting problems with welfare capitalism became along the way a transformational socialist plan for economic democracy.

Over the years, the genius of Meidner's design has earned admiration from many quarters. Wage-earner funds were intended not only to extend industrial democracy within firms but also to give workers and the community a greater say over the allocation of profits and investment, moving towards greater democratic control of the whole economy. The real beauty of the scheme was that the higher the profits, the faster the socialisation, as the funds increased their holdings through the annual receipt of new shares—the mirror-opposite of the various instances of 'lemon socialism' that have seen public ownership extended only to those sectors of the economy where enterprises were operating at a loss. At Volvo, for example, on the basis of a set aside of twenty per cent of profits, it was calculated that the employees' fund would control seventeen per cent of the voting stock in just five years—possibly enough for working control—and reach majority ownership of the company after twenty years (Heilbroner, 1980).

We see here the point at which structural economic reform spills over into systemic transformation—the shift from income redistribution to asset redistribution. Meidner himself described his proposal as 'a new opportunity for also making more democratic those decisions which are arrived at within enterprises but which affect a firm's relations with the community as a whole, with consumers, local authorities, the total environment, and so forth':

> In short, the funds would make it possible to arrive in a democratic manner at those investment decisions which affect what is to be

> produced and where. Thus it can be argued that the funds would involve a new stratum of democracy in industry, lying somewhere between the two levels that have been attempted so far, government industrial policy on the one hand and the labour law route providing for co-determination within enterprises on the other. (Meidner, 1978, 77)

A unique experiment without parallel in other capitalist countries, the Meidner Plan ultimately failed in its broader objectives, being progressively watered down during implementation by the *Sveriges socialdemokratiska arbetareparti* (SAP), the Social Democratic Workers' Party of Sweden. The centrepiece of the plan—the powerful mechanism of the share levy—was dropped in favour of a traditional payroll tax, elements of worker empowerment were largely abandoned, and the end result looked much more like a forced savings scheme than an opening wedge for the development of radical economic alternatives. Meidner himself was ultimately to conclude that '[n]one of the original tasks had been achieved and the whole scheme must now be considered a rather symbolic gesture' (Meidner, 1993, 225).

Along the way, however, the far more limited collective shareholding funds that were set up in practice at least vindicated the position that they would not simply subsidise inefficient production (as opponents had claimed) and demonstrated that, as LO economist Dan Atkinson put it, 'collective capital can work just as well as other capital owners' (Pontusson, 1992, 216). Established in 1984, even the scaled-down wage-earner funds had accumulated seven per cent of the Swedish stock market by 1992, when they were wound down by the incoming Conservative government and the proceeds used to finance a network of scientific research institutes. This led one longtime close observer, Robin Blackburn, to conclude that 'Meidner's plan has yet to be properly tried, though even in its diluted form the social funds helped to propel Sweden to the forefront of the knowledge-based economy' (Blackburn, 2005a).

At a time in which there is once again growing interest in a variety of forms of economic democracy—including profit- and capital-sharing, employee stock ownership plans, and kindred approaches to collective capital formation—Meidner's proposal may be overdue for some serious reconsideration by a newly-emergent and emboldened populist left. It represents an important road not taken, a potential exit to the left from the crisis of the 'seventies and 'eighties, and one that prefigures many of today's concerns over inequality and concentrated wealth, cooperation, democratic ownership and participation, and the need to rethink work and employment in the face of the radical labour-displacing dimensions of new technologies.

For the left, it is a vital and empowering inheritance, one that might usefully be recovered in crafting radical but practical alternatives to both moribund social democratic centralism and a terminally crisis-ridden but still aggressively destructive neoliberalism.

Interestingly, the Meidner Plan emerged against a similar backdrop of enduring crisis and the wider breakdown of a decades-long historic political-economic settlement. The left's proposed solutions to the crisis of the 'seventies were ones that would have 'allow[ed] workers to take greater ownership and control of the economy', a response in part to demands originating from the shop floor (Cumbers, 2012, 42). Calls for greater workers' control, generalised across Europe and North America at the time, led to such proposals as the Alternative Economic Strategy (AES) of the British Labour Party, which would have underpinned a continuing commitment to full employment with a regime of expanded public ownership, economic planning, and an extensive programme of economic democracy, including democratisation of the nationalised industries (Conference of Socialist Economists, 1980, 6).

The context was one of increased worker militancy, capital flight, and an investment slump—changes that, as Jonas Pontusson notes, 'undermined the viability of labor's postwar strategy and reintroduced the issue of investment control'. Swedish labour's proposed three-pronged solution—active industrial policy, co-determination and, in particular, wage-earner funds—marked 'a return to anticapitalist investment politics' (Pontusson, 1994, 9, 13). As Robert Heilbroner characterised the situation, 'socialization in Sweden would no longer be confined to control over distribution of welfare, where the impetus toward further benefits seems to have reached its limits … The Meidner Plan would vastly increase the degree of workers' control over their enterprises … the future … would then turn more and more toward the question of workers' involvement in, and responsibility for, production itself' (Heilbroner, 1980).

To excavate and re-examine the Meidner Plan is to evoke a strong sense of what might have been. For Sweden, instead of experiencing the greatest increase in inequality of any OECD country in the neoliberal era (OECD, 2017), it could have meant a radical break with an ailing tax and transfer model and move in the direction of a new and genuinely participatory form of democratic socialism. From the vantage point of today's left, it serves as a powerful reminder of the boldness that will be required if there is once again to be a serious vision of an alternative political economy and path forward to a radically different society. Against the backdrop of widening inequalities of wealth and power, the chief instruments upon which the Meidner Plan depended—the share levy and collective capital

ownership—are ripe for reconsideration and recovery as powerful potential tools for tackling economic concentration, disciplining footloose corporations, and democratising the economy. In Jonas Pontusson's crystallisation of Meidner's proposal, 'If we are searching for the limits of Social Democracy, this is the place to look' (Pontusson, 1994, 4). Ultimately, a truly transformational left strategy must eventually—like the Meidner Plan—resolve to go after capital itself.

Background to the Meidner Plan

The Meidner Plan emerged as a very particular response to the so-called 'trilemma' of social democracy in Sweden, the attempt to reconcile full employment, wage solidarity, and high corporate profits (Swenson, 1989, 129). Meidner himself is usually credited as co-architect—with Gösta Rehn—of the 'Swedish Model' (sometimes referred to as the 'Rehn-Meidner Model'), the underlying strategy of which he summarised as 'leaving the owners of capital to take care of producing goods but assigning the state the responsibility for a fair distribution of the production results' (Meidner, 1993, 211). The establishment and institutionalisation of this model—a decisive social democratic turn away from socialist questioning of the private ownership of capital—occurred in the aftermath of the Second World War and the unique economic conditions of postwar Europe: massive destruction of capital, plant, and matériel in the war, the injection of Marshall aid, and the importation of a Fordist model of consumption two decades after it had first appeared in the United States. This was the onset of the so-called 'Golden Age' of social democracy, when for a time it proved possible to accommodate both increased profit rates for capital and higher real living standards for labour.

It was far from inevitable that Sweden's postwar direction would be the creation of an extensive welfare state built upon a tax and transfer system that did not encroach upon private ownership directly. Surrounded by Nazi armies, the neutral Swedes had had a successful wartime experience with economic planning, mobilising all available capital, labour, and natural resources for national self-provisioning. A special Ministry of Supply, the *Kungliga Folkhushållningsdepartementet*, was set up, as well as a network of national and local councils and committees to manage production and consumption, monitor foreign trade, ration scarce commodities, regulate construction, and so forth (Magnusson, 2000, 202). As a result, Swedish labour's 1944 Post-War Programme contained a blueprint for a planned economy, including nationalisation of the industrial base and major financial institutions. This turned out to be the high water mark of proposals for state intervention in production, which did not long survive contact with the favourable economic circumstances of the postwar boom.

Alone among European countries, Sweden had emerged from the Second World War virtually unscathed and with its productive facilities intact, and was thus very well positioned to supply the enormous demand resulting from continent-wide economic reconstruction. High domestic and European demand for Sweden's abundant natural resources and skilled labour meant that—unusually—the feared and expected postwar economic contraction was avoided, as the country quickly set course for prosperity on a rising tide of exports: 'Swedish iron ores and newsprint, Swedish ball bearings and automobiles, Swedish furniture and freighters provided the impetus for the country's emergence as a rich industrial nation' (Heilbroner, 1980). Sweden's real growth rate of gross national product (GNP) averaged around 3.3 per cent per year from 1951 to 1960, bringing with it 'a revolution in living standards' (Magnusson, 2000, 200).

In these circumstances, the SAP quickly pivoted from plans for a substantially socialised economy to a very different economic strategy. 'The tendency', wrote liberal Swedish economist Bertil Ohlin, 'is in the direction of a 'nationalization of consumption,' as opposed to the nationalization of the 'means of production' of Marxian socialism' (Przeworski, 1985, 37). Looking back, Meidner set out the case as it appeared to the LO and SAP at the time:

> Why should industries be nationalized if the private owners could run them efficiently and with high profitability? Why should the government intervene in the economy if the market forces could resolve the structural problems and successfully guarantee full employment? Why should the government build up a planning machinery for an economy which was working well without planning? (Meidner, 1993, 213)

Instead of state intervention, the strategy developed by the labour movement as expressed in the Rehn-Meidner Model was one of welfare state expansion and solidaristic collective bargaining to achieve greater economic equality and social justice. The 1938 Saltsjöbaden 'Basic Agreement' between labour and capital provided the framework for industrial relations in Sweden, resting on centralised wage bargaining and the mediation of disputes between 'peak' organisations—the LO and the *Svenska Arbetsgivareföreningen* (SAF), the Swedish employers' federation—to prevent 'socially dangerous conflicts' and preserve long-term labour peace through cross-class consensus, or *samförstånd* (Swenson, 2002, 113). A highly centralised bargaining system in Sweden was facilitated by extraordinary levels of union density, with eighty-five per cent of the labour force organised in trade unions. To this, Swedish labour added a socialist incomes

policy, which had its origins in the 1936 LO Congress and came to be known as the 'wages policy of solidarity' given its focus on compressing wage differentials to only those justified by differences in work and skills. As Meidner put it, 'equal work should be equally paid, regardless of the profitability of the firm, the size or location of the workplace. What matters is the kind and nature of work, and the skills which are needed to perform it. The second aim of the policy is the equalizing of wage differentials, though not their total elimination' (Meidner, 1978, 216).

Several consequences flowed from the basic elements of this approach. The first was the alignment of Swedish labour with private industry's export-dependent growth model, and therefore with the need to maintain the international competitiveness of Swedish firms in order to defend their position in foreign markets. The Rehn-Meidner Model thus sought to promote 'high-productivity sectoral adjustment' (Blyth, 2002, 205). Equal wages for equal work across sectors and industries meant that the LO was pursuing not only the labour movement's egalitarian goals but also 'a dynamic modernization of the economy by forcing inefficient companies either to rationalize or close down, while simultaneously assisting the expansion of efficient firms' (Iverson, 1998, 60). Meanwhile, high overall domestic and foreign demand risked causing labour shortages—a new and unexpected development in Sweden—leading to wage increases in excess of productivity gains and, as a consequence, cost-push inflation. From this arose two more features of the model, measures designed to avoid inflationary spirals. These became the twin pillars of the Rehn-Meidner 'anti-inflationary full employment policy'—i.e. 'a restrictive general economic policy which does not guarantee full employment, and selective labour market policy measures which absorb redundant labour' (Meidner, 1978, 220).

Inflation was to be the constant spectre haunting the Swedish model, and a significant cause of its eventual decay. Gunnar Myrdal had pronounced inflation 'a deadly threat to socialism' (Meidner, 1993, 214). Joan Robinson summarised the problem:

> [I]f we are to enjoy continuous near-full employment without changing the institutions and habits of industrial bargaining, we shall suffer from inflation. It is neither the fault of the trade unions, who are fulfilling their proper function of demanding their fair share in rising profits, nor of businessmen trying to preserve profits by raising prices when costs go up. It is the fault of an economic system inappropriate to the state of the development of the economy. (Whyman, 2006, 52)

For moral and ideological reasons, Rudolf Meidner and Gösta Rehn rejected the idea that unions should be disciplined by unemployment. Instead, they set about finding a way to achieve full employment by non-inflationary methods. Their conclusion—set out in a first sketch of their model in a 1951 LO report entitled *Unions and Full Employment*—concluded that solving the dilemma of the trade-off between full employment and inflation would require restrictive macroeconomic measures, but that these in turn must be accompanied by active labour market policies to address the 'islands of unemployment' that resulted from holding the economy back from its full potential (Meidner, 1998, 74).

Thus the Rehn-Meidner Model took its full shape: restrictive macroeconomic measures, accompanied by an expansive welfare state and active labour market policies underpinned by solidaristic wage bargaining by the trade unions through which wages were to increase faster for lower-paid, less-skilled workers. By the 'eighties, as the model created unemployment by squeezing out less productive companies, around eight per cent of public spending—three per cent of GDP—was being spent on active labour market measures (Swenson, 1989, 129).

Although fairly effective for a time, the interactions of the various elements of the Rehn-Meidner Model produced a significant unintended side effect that, left unaddressed, threatened to undermine the whole approach. This was the problem of 'excess profits'. On the evidence available, the solidaristic wage policy, in place since the 'sixties, was a success, narrowing wage differentials considerably. Meidner, surveying the data in 1975, concluded that 'the spread of wages has declined by almost half in fifteen years' (Meidner, 1978, 30). But as the unions concentrated their bargaining power on low-wage groups, self-denial on the part of workers in highly productive companies did not translate into benefits for workers elsewhere, but rather into increased profits for private business owners—an altogether unwarranted shift of income from labour to capital. As Meidner put it, 'wage restraint exercised by well-paid groups in profitable firms leaves unused capacity to pay wages in the hands of the capital owners' (Meidner, 1978, 217). Moreover, the greater the compression of wage rates, the greater the unintended side effects, as it was desirable from the vantage point of the Swedish Model overall that companies remain profitable and a high investment ratio be maintained in order to stay internationally competitive.

For Meidner and his colleagues, excess profits were problematic not just from the point of view of the LO's social justice objectives but were also dangerous to the balance of the economy as a whole. Windfall profits led to wage drift, as workers in highly profitable companies were prompted to

demand better compensation, undermining solidaristic bargaining and threatening to unleash inflation. This could be seen in 1974, when the international commodity price boom led to a jump in excess profits in Sweden's export-oriented sectors, setting off wildcat strikes and explosive wage drift in those industries (Swenson, 1989, 158). The final version of the wage-earner fund proposals, the joint 1981 LO-SAP publication *The Trade Union Movement and the Wage-Earner Funds*, reiterated this imperative for the Swedish left to 'find some method of breaking the vicious circle beginning with high profits, leading to higher wage drift, which leads to higher inflation and which leads to lower profits and growth' (Swenson, 1989, 161).

Clearly, something would have to be done to recover excess profits in high-performing companies. *Svenska Metallindustriarbetareförbundet*, the Swedish Metalworkers' union, was among the first to push for an examination of this 'reverse side' of labour's solidaristic wage policy. At the 1971 LO Congress, it was decided to commission a study. The executive board was given the task of identifying a solution that would maintain full employment but relieve the pressure on prices without alienating rank-and-file trade unionists through wage restrictions in periods of soaring profitability. They were instructed to report back to the next Congress in 1976. A small working party was set up in 1973, headed by Rudolf Meidner and including Anna Hedborg and Gunnar Fond, to develop the proposal, which sought to accomplish three objectives:

> (1) To complement the wage policy based on the principle of solidarity.
>
> (2) To counteract the concentration of wealth which stems from industrial-self-financing.
>
> (3) To increase the influence which employees have over the economic process.
>
> (Meidner, 1978, 15)

The first objective reflected the original problem of excess profits the Swedish trade unions were seeking to resolve, while the third objective—increasing employees' influence—was in line with the more general upsurge of interest in workers' control and economic democracy that occurred across the advanced industrial world during the period. More surprising, perhaps, was the inclusion of the second objective—tackling the concentration of capital ownership in Sweden—which practically guaranteed that the eventual plan would strike in some way at the heart of the capitalist mode of production, and therefore at Sweden's basic economic settlement.

Despite its extensive welfare state and some of the highest tax rates in the world, Sweden's social democratic political economy stopped short of direct encroachments upon private capital. As a result, the country had maintained an extraordinary concentration of ownership. 'Small groups of owners are behind most of Sweden's large companies', observed Lars Magnusson in *An Economic History of Sweden*. 'Up until the 1970s there was much talk of 'the fifteen families', and after this time the group became even smaller' (Magnusson, 2000, 220). In 1976, the wealthiest one per cent owned seventeen per cent of Sweden's total net wealth, while the top five per cent had thirty-eight per cent, and the top ten per cent about fifty-five per cent. In terms of stock, 0.3 per cent of households held fifty per cent of all shares in 1975 (Pontusson and Kuruvilla, 1992, 782).

Ninety-four per cent of Sweden's industry was in private hands in 1980, and the small fraction in public ownership was mostly accounted for by the rescue of the shipbuilding industry by a conservative government of the 'bourgeois parties'. Moreover, this relatively high concentration of holdings was matched by a further concentration of industry itself, 'with fifteen to twenty corporations, many of them family owned, dominating the industrial scene' (Heilbroner, 1980). Studies have shown that, relative to gross domestic product (GDP), Sweden had twice as many Fortune 500 companies as the United Kingdom and Japan, and four times as many as Germany and the United States. 'Even compared to other countries dominated by large firms, such as Finland and South Korea, the number of large firms relative to GDP was substantially greater' (Henrekson and Jakobsson, 2000, 15).

Consistently low household savings rates in Sweden meant modest financial wealth and therefore a limited role for most citizens as owners in the corporate sector. Meidner was particularly concerned with the overconcentration of what he termed 'strategic capital'—the ability of a very small number of wealthy individuals and corporations to influence major investment decisions. This was a critical weakness in the Swedish Model. As Adam Przeworski put it:

> Investment decisions—decisions to withhold a part of society's resources from current consumption and to allocate them to replace or augment the instruments of production—have an impact that is both general and long-lasting, that is, public. Yet the very institution of private property implies that they are a private prerogative. Control over investment is the central political issue under capitalism precisely because no other privately made decisions have such a profound public impact. (Przeworski, 1986, 218)

In ninety per cent of the companies examined by Meidner's working group, a combination of just three individuals assembled enough voting rights to be able to reach accord at company annual meetings of shareholders (Meidner, 1978, 38). A tiny elite was thus able to make decisions that would shape 'every aspect of the life of the community, such as employment, incomes, regional dispersion, and foreign trade. The question of share ownership and its distribution is consequently much more than one of social justice; it is a matter of ensuring that employees have a greater say in shaping economic and industrial policy' (Meidner, 1978, 35).

This was the overall context that produced the proposal for one of the most radical democratic assaults on capitalist property ownership in the second half of the twentieth century—and one that was launched, moreover, in a bastion of social peace and cross-class consensus, stemming from deep within the logic of the social democratic model itself.

Design and implementation of the wage-earner funds

Against the backdrop of a solidaristic wage policy, and based on the moral claim that corporate profits derived in part from public subsidy such as efficient infrastructure, Meidner settled upon a solution to Swedish labour's trilemma in which excess profits would be captured, reinvested, and converted to worker-owned equity. A variation on a form of collective profit sharing, the proposal was to establish wage-earner funds, impose a share levy based on profitability, and establish boards to govern this collective capital formation. Excess profits would thus be skimmed and transferred from the capital owners to wage-earner funds in the collective ownership of the employees—a solution both elegant in its reasoning and deeply radical in its implications. 'The capitalists understandably disliked this idea', Swenson wrote with considerable understatement. 'Nevertheless, it was a logical part of the Swedish model' (Swenson, 1989, 217). The place of the wage-earner funds in the augmented Rehn-Meidner Model is represented in Table 1.

The lineaments of such a strategy vis-à-vis capital can already be traced in preceding discussions within Swedish labour and its sister movements elsewhere in Europe. A number of proposals for profit-sharing were advanced in Germany, Austria, Denmark, and the Netherlands in the period between the 'fifties and early 'seventies. For instance, the *Deutscher Gewerkschaftsbund* (DGB), the German trade union federation, put forward an idea that prefigured Meidner's wage-earner funds in the mid-fifties, aimed at addressing the inequality caused by the rapid growth stemming from postwar reconstruction (Meidner, 1993, 223). Denmark's *Socialdemokraterne*, the Social Democratic Party, introduced a plan along

similar lines in the Danish parliament in 1973 that would have established a payroll tax covering most firms, a portion of which would be paid into a national investment and dividend fund. The fund would provide capital to increase investment in Danish industry and also provide a social dividend to Danish workers in proportion not to salary or wages but to years worked. The dividend would be paid in the form of non-negotiable certificates, redeemable after seven years or at age sixty-seven, with any remaining value being paid to the worker's estate upon death. The larger portion of the payroll tax proceeds would stay in the firm as share capital (up to the value of fifty per cent of the company) belonging to the workers, who would exercise voting rights on a one-person one-vote basis (Dahl, 1985, 127-28). What made Meidner's version of such a plan unique was that in Sweden—albeit in greatly watered-down form—it actually came to be implemented.

Table 1. *Schematic sketch of the Swedish Model*		
Objectives	Full employment	Equality
Restrictions	Price stability	Efficiency
Instruments	Combination of restrictive general measures and selective labour market policy	Universal welfare Large public sector Wage policy of solidarity 🡇 🡄 Wage-earner funds

Source: Meidner, 1993, 219.

There were also a number of partial precedents within Sweden that could be built upon in drawing up the scheme. At LO Congresses in 1961 and 1966, for example, Meidner had suggested other approaches to capturing excess profits and extending worker influence via collective capital formation, such as branch and sector funds (Meidner, 1978, 7). Another piece of the puzzle was the *Allmän tilläggspension* (ATP), the supplementary state pension system. The ATP had been banned from making equity investments, but then a 'first important step towards increased collective ownership was taken in 1974 when a fourth National Pension Fund (AP Fund) was introduced with the aim of investing in the stock market' (Henrekson and Jakobsson, 2000, 23). These precedents became grist to the Meidner team's mill.

Constructing the design for the wage-earner funds proposal also meant carefully avoiding any disruption to other important aspects of the Rehn-Meidner Model, such as the international competitiveness of Swedish industry or the wider egalitarian goals of the LO and SAP. Central to the design was the need to enable workers to share in the growth of assets that

is part of self-financing within successful business enterprises. Any solution had therefore to refrain from interfering with investment. It had also to be 'neutral with respect to costs, wages, and prices'—the whole point was to shore up the left's anti-inflationary strategy—and remain true to the original objective of the solidarity wage policy, which was to equalise incomes (Meidner, 1978, 17). Given the narrow framework within which a solution had to be developed, the working group quickly dismissed two other possible directions, branch funds and a corporation tax—both of which would siphon away resources from investment. Nor was it in the overall interests of the Swedish labour movement to shift profits to less efficient firms. A final prohibition was on profit-sharing schemes for the individual worker, which could have adverse distributional as well as investment effects, and was therefore incompatible with the solidaristic wage policy. The need to preserve and increase existing capital stock also ruled out individual share disbursements.

Given the imperative not to prejudice other important economic policy goals, Meidner's conclusion was that the 'only way in which asset holding among employees can be increased is through shares of profits being saved in some permanent form by the recipients' (Meidner, 1978, 43). Every company with more than fifty employees—the threshold was later raised to a hundred employees, which still amounted to two-thirds of private sector employment—would be required to issue new shares each year equivalent to a percentage of gross profits. The first two versions, in 1976 and 1978, called for profits allocated to the wage-earner funds (to the value of 20 per cent) to stay in the firm in which they were generated, in the form of newly issued shares held permanently by the funds (Swenson, 1989, 139). The funds would maintain the capital in the firms, preserving their profitability by ensuring there was no effect on cash flow or re-investment, but would have had the effect of progressively watering down the ownership claims of other investors. As Meidner put it, '[s]hare issues restricted or directed to employee funds … would gradually shift the weight of ownership towards the employees, since the fund would receive each year an issue of shares without the remaining shareholders having a similar entitlement' (Meidner, 1978, 47).

It was an elegant construction—Meidner was 'able to bring about a shift in property and power structures at the corporate level without negatively influencing the financial liquidity of these corporations' (Zimmerman, 2009, 279). It was also a radical construction—the funds would be a steadily growing owner in the preponderance of Swedish industry.

Meidner's calculations as to the speed with which individual firms would become majority worker-owned based on their profitability can be seen in

Table 2. A fixed annual levy was presumably considered—it would have been simpler and far easier to administer—but rejected in favour of a levy based on profitability. Profit, for Meidner, was the most appropriate basis for the calculation of the transfer of part of the growth of a company's assets to its workers: 'Only by linking appropriations to the fund to profits do we obtain a direct relationship between the growth of the fund in the individual enterprise and the expansion of the enterprise through self-financing' (Meidner, 1978, 51).

Table 2. *Employee fund's share of the individual company where profits vary (assuming that 20 per cent of profits is allocated to the fund)*

	Profits			
Year	*5%*	*10%*	*15%*	*20%*
1	0.01	0.02	0.03	0.04
5	0.05	0.09	0.13	0.17
10	0.09	0.17	0.24	0.30
15	0.14	0.25	0.34	0.42
20	0.18	0.32	0.43	0.52
25	0.21	0.38	0.50	0.60
35	0.29	0.49	0.62	0.72
50	0.38	0.62	0.75	0.84
75	0.52	0.76	0.88	0.93
100	0.74	0.85	0.94	0.97

Source: Meidner, 1978, 59.

The biggest problem operationally arose with respect to multinationals with parent or subsidiary companies overseas. Even in 1976, Meidner and his team were very aware of the problem of internal or 'shadow' pricing—'already illegal under current tax legislation, but … very difficult for the fiscal authorities to monitor' (Meidner, 1978, 52). The share levy was a remarkably potent instrument and very hard to avoid, occurring at the level of the overall distribution of shares such that all existing shareholders would experience the same dilution in the value of their stock, no matter how they were incorporated or where they were located. The difficulty entered in at the point of calculating the profit. This would be far easier in the case of domestic corporations, as Meidner pointed out: 'large quoted companies with many Swedish owners can scarcely stop reporting profits in Sweden. In order to raise capital they have to report profits sufficiently large to provide a reasonable dividend return to their Swedish owners' (Meidner, 1978, 53). He proposed an annual valuation of companies to determine how many new shares should be set aside for the wage-earner funds. For listed companies, share prices were already quoted on the stock exchange, but it would be better to conduct a substantive valuation of each company based on its actual assets, which would have the additional benefit of allowing the

same method to be used with both publicly-traded and privately-held companies.

In the case of multinational companies, Meidner acknowledged the difficulty of possible profit manipulation through the use of transfer pricing. 'It was recognized that companies operating in different countries might choose where to take their profits. In other words, it would to some extent be possible for them to avoid unfavourable profit-sharing and taxation' (Furåker, 2016, 124). Meidner's suggestion, which could be applied to both Swedish multinationals and the Swedish subsidiaries of foreign-owned multinationals, was to postulate a minimum level of profit and require a company to justify to independent arbitrators why they should be judged to have made lower profits than the automatically applied standard (Meidner, 1978, 63).

In terms of governance, the wage-earner funds would be the depositories of the newly issued shares and would be managed by union-appointed directors and provide for direct employee representation at company shareholder meetings via their stock holdings. The dividend income would be administered for the benefit of the employees. Later iterations of the plan saw the addition of a further layer of governance. The shares above a certain level would be transferred to regional wage-earner funds governed by representatives of all wage-earners as well as government appointees. 'A firm's employees would never control more than 20 percent of the voting rights in their own firm, whereas an increasingly large share would accrue to one of the representative bodies' (Dahl, 1986, 126).

In 1975, a first draft of Meidner's proposal was put to the wider Swedish labour movement for feedback via a massive study programme, a consultative process involving eighteen thousand grassroots trade unionists. The response was overwhelmingly positive—not least because of the prospect of a 'euthanasia of the rentier'. 'Meidner's initial plan excited many rank-and-file union and party activists, many of them from the New Left generation, partly because of its promise that funds would take over controlling ownership in industry within a generation and partly because of its emphasis on empowering workers at the shop level' (Swenson, 1989, 165). When asked about their priorities for investment of the dividends, there was strong support for labour education, research, and training—including adult education and training to boost financial literacy among workers and their representatives to help them exercise their ownership rights. Originally conceived as a solution to the strategic problem of excess profits and maintaining workers' adherence to wage solidarity, the proposal—for Meidner, as for the LO rank and file—had become something of a blueprint for the transition from welfare capitalism to

economic democracy. As Michael Howard notes, 'the structurally transformative character of the plan did not escape [Meidner], and the plan received enthusiastic support among shop stewards and others at the grass roots' (Howard, 2000, 175).

Adopted enthusiastically at the 1976 LO Congress, the Meidner Plan received a less than warm welcome, to put it mildly, from Sweden's politicians and business owners. For their part, the SAP leadership felt blindsided, and Olof Palme was said to be 'furious' with the LO for springing the proposal on the party, reportedly resulting in a 'stormy' exchange with LO chair Gunnar Nilsson (Swenson, 1989, 167). Swedish business owners were even less impressed, despite the fact that the plan would increase capital formation for productive investment. Industry leaders mobilised energetically against it, and the SAP went on to lose the 1976 election, bringing in Sweden's first non-socialist government since 1932. The Meidner Plan continued to be debated by the LO and SAP in opposition, and again became a major theme of the next political cycle when—as Robin Blackburn recounts—Swedish business leaders spent 'five times more money attacking the plan than the cash laid out by all the parties in the 1982 election' (Blackburn, 2002, 15). Pop supergroup Abba—themselves a highly profitable Swedish company, with well-known musical hits like *Money, Money, Money* and *Winner Takes It All*—threatened to leave the country if the SAP were returned to office and the plan implemented, even performing an open-air benefit concern in Stockholm to raise fighting funds, and penning a leaflet aimed at convincing young people to oppose the scheme (Mosey, 1982).

By the time the SAP were in a position to enact Meidner's policy, the political landscape had changed dramatically—both domestically and internationally. The red wave of the 'seventies had crested, and a new blue wave of neoliberalism was rising in the West, with the election victories of Thatcher (in 1979) and Reagan (in 1980) in quick succession. In Sweden, the preceding years had brought deepening economic crisis, including widespread job losses in steel and shipbuilding. In this context—and against the wishes of Meidner, who was increasingly given a back seat by the SAP—the goals for the wage-earner funds began to evolve, or devolve. Palme and the other social democratic leaders cast them as less a vehicle for economic democratisation and more and more as a tool for responding to the crisis. In particular, they were given the overt task of supplying investment capital to Swedish businesses, making them a vehicle for industrial development policy. The versions that appeared at this stage, as Jonas Pontusson notes, 'shifted the emphasis of the argument for wage-earner funds away from redistribution of wealth and power towards an increase in the rate of investment' (Pontusson, 1987, 19-20). In this manner, one by one virtually

all aspects of Meidner's original plan were watered-down beyond recognition.

In particular, the wage-earner funds would now cover only companies with more than five hundred employees—about two hundred companies in total—and only for a few years. Even more strikingly, the profit-sharing aspect was scaled back and the distinctive share levy mechanism abandoned, moving the proposal to a very different funding model in which there would be cash payments to the funds, financed by a dual tax on wages and profits (Swenson, 1989, 139). The revenues would be divided up equally in a multiple fund system rather than a coordinated system of company-based funds, and would be capped at SEK 400 million, with additional income diverted to the ATP fund (Whyman, 2006, 53). Moreover, the funds would have to rely on market mechanisms to acquire their shares. The link to the state pension system may in part have been intended to help build support for the plan, but it was also the case that the funds were to behave more like the ATP for political reasons, making them more acceptable to bourgeois interests. As Pontusson notes, this meant operating 'in much the same way as private portfolio investors, spreading [their] assets across a large number of firms and assuming an essentially passive ownership role' (Pontusson, 1987, 24). The funds were permitted to invest in the stock of both listed and unlisted companies (as well as cooperatives), were restricted to Swedish companies, and their investments were required to be diversified, long-term, and to deliver at least a three per cent annual rate of return. They were limited to controlling no more than eight per cent of the voting stock in any single enterprise, although they could in theory co-ordinate their investments with other funds to achieve control.

Richard Minns offers a useful—and damning—summary of the eventual legislation:

> It provided for five regionally based funds, financed from payroll and profits taxes—at 0.2 per cent and 20 per cent respectively—which then purchased existing shares, not the new ones which were an essential part of the original proposal. Each of the five management boards was to contain nine members appointed by the state, five of whom were to represent workers' interests. But the boards were to function as passive investors, remaining uninvolved in corporate affairs, and were limited to holding at most 8 per cent of the voting equity of a single company. They were to achieve a target rate of return of 3 per cent which was to be transferred to the ATP. By the end of 1990, the accumulated funds amounted to only 3.5 per cent of the total value of Swedish company shares quoted on the Stockholm stock exchange. This was in contrast to the original proposals which,

> it was calculated, could build up to 49 per cent of the equity of companies over thirty-five years at an annual rate of profit of 10 per cent'. (Minns, 1996, 45)

Swedish workers were thus asked to forgo wage increases in order to buy corporate equity that would do little to facilitate additional capital formation or generate new jobs. Instead of accumulating an ever-greater ownership share in industry, the funds were also to be disbanded after seven years and their assets never to amount to more than five per cent of the total value of the Swedish stock market. In a final blow, the dividends would no longer be used to promote workplace participation, de-coupling the funds from the promise of industrial democracy. Despite all these modifications, private businesspeople—in an impressive display of class-consciousness—continued resolutely to refuse to serve on the boards of the wage-earner funds, which were instead filled by government nominees from academia, the civil service, and the cooperative sector.

Hobbled in all these ways, the record of the wage-earner funds in practice was actually quite impressive. They made a habit of investing in innovative, small, privately-held businesses as a way to get around the ceilings on ownership stakes in publicly-listed companies. For the most part they were active in their home regions, thereby promoting regional industrial development. Each fund produced a return far in excess of three per cent, making significant contributions to the Swedish pension system. In aggregate, by the end of 1991 they were Sweden's eighth largest shareholder group, having acquired 2.6 per cent of total stock market value (Whyman, 2006, 53). Although they were not significant enough in size to play much of a role in national industrial policy—they represented less than half the liquid assets of Volvo by the time they were wrapped up (Pontusson, 1994, 31)—the direction of their influence was held to be largely positive, with their introduction associated with 'increased collective savings, capital formation, economic growth, moderated labour costs, higher industrial employment, and an improved inflation-unemployment trade-off' (Whyman, 2006, 64).

The Meidner Plan as it was enacted, however, was a far cry from what had originally been envisaged, and the consequences of the failure to adopt the full-blooded version played their part in consigning Golden Age Swedish social democracy to its eventual fate. Not satisfied with the defeat of the original wage-earner fund proposals, Swedish capital soon withdrew from the social consensus approach to centralised wage bargaining, beginning with the successful conclusion by the metal industry of a separate agreement with its workers. Ultimately, the country's capitalists were able to break out of the Swedish Model as a whole. Public expenditures in Sweden peaked at

fifty-five per cent of GDP in the 'eighties, but worldwide overcapacity began to cause a contraction and led to wage losses. Meanwhile, excess profits and high liquidity in combination with financial deregulation led to rampant real estate speculation. When the speculative bubble burst in 1990–91, the exodus of capital and resulting mass unemployment 'helped to enfeeble the productive base and expose the 'Swedish home' to exercises in social dumping' (Blackburn, 2002, 16). Since then, the universal welfare system has been steadily undermined, while the internationalisation of Swedish capital has proceeded apace. In a final grim irony, the big Swedish multinationals—as Meidner himself pointed out—turned out to be the long-run beneficiaries of the Rehn-Meidner Model: 'Tetrapac, the world-wide packing industry, had its origin in the Swedish agrarian regulation system which permitted the dairy industry to act as a monopoly … IKEA had its domestic basis in furnishing the million apartments which were built as part of the social housing program in the 1950s and 1960s' (Meidner, 1993, 226).

Returns to capital

The Meidner Plan failed—at least in its wider objectives. In part, this was due to its being situated within broader dimensions of Sweden's political economy that worked against the proposal. The focus on accumulation of ownership rights *within* enterprises rather than through broader acquisition across the stock market and overall economy, while an essential design feature of the solution it was seeking to provide, necessarily narrowed the immediate political valence and appeal of the scheme. Public sector employees and their unions, together with those in the less profitable, nonprofit, and cooperative sectors of the Swedish economy, would see little in terms of immediate gains from implementation of the plan. Worse still, all those outside the labour market—housewives, the sick, the elderly, students—were given even less cause to feel connected to such a 'workerist' approach. Its origins as a technical fix to the problems of excess profits and inflationary wage drift therefore meant that the Meidner Plan was ill-suited to becoming the centrepiece of a transformational programme for economic democracy that, in order to succeed, would have required a massive mobilisation—by the SAP and its leaders, as well as by the trade unions—of Swedish public opinion behind it (Pontusson, 1994, 33). As such, it was left vulnerable to accusations of being a union power grab.

Nor can we truly know, as Phillip Whyman points out, the extent to which it would in fact have succeeded, even if it had been implemented in full:

> It is possible that changes in the international economic environment—particularly relating to the internationalization of

> financial capital, EU membership, the rise in foreign ownership of Swedish industry following financial sector deregulation, wage bargaining decentralization, the trend towards post-Fordist production and the increased importance of service sector employment—could have rendered the Meidner proposals irrelevant a decade later. This conclusion, however, appears to be a little premature, since many of the original problems prompting initial interest in [wage-earner funds] have still not been resolved. (Whyman, 2006, 66)

Nevertheless, the Meidner Plan—to the extent that it is known or remembered—continues to have an enduring appeal as a valuable left inheritance, a reminder if nothing else of the combination of technical proficiency and strategic boldness that will be required if we are ever again to construct a serious vision of an alternative political economy and path forward to a radically different society. At a time when many appear to believe they have to develop economic alternatives from scratch, it is useful to be reminded of one of the most radical and creative strategies developed by the postwar European left, one that now bears excavation and mining for its radical insights and prescriptions. The core components of the proposal—the share levy and the impetus towards collective ownership of capital—are ripe for reconsideration and recovery given today's yawning inequality and widespread sense of the need for a very different pattern of political economy.

It may yet prove to be the case that such radical schemes will find greater political purchase with the waning of the neoliberal political-economic model than at the moment of its upswing. Be that as it may, nothing quite like the Meidner Plan in its vision and sweep has yet appeared on the horizon in terms of current attempts to create a new twenty-first century left political economy beyond neoliberalism. Even Thomas Piketty in *Capital in the Twenty-First Century*, a masterwork of statistical analysis of capital accumulation over the *longue durée*, has been reluctant to grapple with the deep structural determinants of who owns capital, having recourse instead to 'regulating capital' via a global tax on wealth (Piketty, 2014). But Meidner's share levy, recast for the present age, could offer a policy instrument powerful enough to address Piketty's now famous 'fundamental force for divergence' in terms of the inequality arising from $r > g$—where r is the annual average rate of return on capital (including profits, dividends, interest, and other returns to capital, expressed as a percentage of its total value) and g is the rate of economic growth in terms of income or output (Piketty, 2014, 25). A recurring share levy suitably deployed could actually harness $r > g$ against the ascendant 'patrimonial capitalism' Piketty warns about, instead permitting increasing returns to capital to be diverted *away*

from rentiers to social funds or other repositories of collective wealth ownership.

Testament to the enduring appeal of Meidner's design is the fact that, in the intervening years, a number of theorists have—explicitly or implicitly—embraced elements of his scheme as part of their own proposals or transition strategies for the development of political-economic institutional alternatives beyond capitalism. Richard Minns, for example, called for a 'Meidner for Britain' in 1996 as a means of going beyond tepid debates on 'stakeholding' to strategies for a real transfer of power regarding ownership and control of capital:

> The government should establish a National Provident Fund (NPF) which would take over management of all public-sector-funded occupational pension funds, such as those of local authorities throughout the UK, and utilities still in public ownership such as the Post Office, the BBC and the Bank of England. This would immediately give the NPF control over £50 billion … or around 10 per cent of the total assets of UK pension funds. The management board of the NPF would be appointed by government and half its members would be employee representatives from the pension funds it has taken over. It activities could be regionalized to cover the catchment areas of the local authorities. Regional Boards could manage the local authorities' funds in accordance with NPF policies and government guidelines on social investment. The NPF itself would manage the other public-sector funds. (Minns, 1996, 59-60)

If implemented today, Minns' proposed 'Meidner for Britain' would be able to draw upon £220 billion of assets in local government pension funds alone (Clancy, 2014, 2)—perhaps to pursue integrated local economic development strategies like that currently underway in Preston, Lancashire, based on the Evergreen Model in Cleveland, Ohio (Singer, 2016). Potential capitalisation, using the assets of the Crown Estates, of a sovereign wealth fund for the United Kingdom could also mean a fund of up to £12.9 billion (Crown Estate, 2016, 1).

Similarly, in 2005 Robin Blackburn proposed 'an EU-wide Meidner-style corporate levy' set at ten per cent of corporate profits to be dedicated to a democratically-administered network of European regional funds (Blackburn, 2005b, 104). More recently, Tom Malleson has called for an 'Incremental Democratization Plan' consisting of two streams, one in which bank profits are placed under the control of public community banks (PCBs) and another in which firm profits are accumulated by Meidner-style workers' trusts that could buy up the firms over time: '[S]uch a plan would

gradually and fundamentally alter the economy, replacing private banks with PCBs and private firms with worker-owned co-ops. This would achieve at one stroke two fundamental goals of economic democracy: democratizing finance and democratizing workplaces' (Malleson, 2014, 195).

Somewhat less ambitiously, Dean Baker—although without mentioning Meidner—has floated the idea of a share levy as a voluntary alternative to U.S. corporation tax. The predominant benefit of this, Baker suggests, is that such a levy would save time and money for both government and the companies involved—that is, time and money used to either collect or avoid corporate taxes would be freed up for other purposes. Under Baker's proposal, between seventeen and thirty-five per cent of each company's stock could be turned over the government as an alternative to paying corporation tax, with the government only realizing a financial return—i.e. dividend income—when the company is profitable. While this would normally give the government a controlling interest in each company, Baker is careful to propose that these would be 'non-voting shares'—thereby rendering many of the benefits of collective share ownership (from Meidner's perspective, at least) moot (Baker, 2016).

As a further example, former Greek finance minister Yanis Varoufakis has recently argued that a percentage of capital stock from every initial public offering (IPO) should be channeled into a Commons Capital Depository that would be the basis for a universal basic dividend. 'There is … a strong case that the commons have a right to a share of the capital stock, and associated dividends, reflecting society's investment in corporations' capital' (Varoufakis, 2016).

There are reasons why, time and again, new generations of theorists and practitioners return to and rediscover the appeal of particular institutional forms and approaches. Not everything has to be created anew, and a careful sifting of the past can uncover powerful lost traditions and practices for the remaking of society and the economy. For a newly re-emergent left, stumbling blinkingly out into the sunlight after long hibernation, deep substantive engagement with the key models from recent history could produce valuable lessons and inform future designs and strategies. The Meidner Plan is one such model, illuminating a potential pathway forward towards economic democracy through collective capital ownership.

As a new generation of social movement activists and political leaders set about the task of political-economic reconstruction and democratisation of the economy, Meidner's proposal for wage-earner funds can serve as an inspiration, modelling the way in which the left should be rolling up its sleeves and getting to work, going beyond rhetoric to detailed institutional

design and policy formulation. If powerful underlying trends—economic, social, and ecological—are to be altered it will no longer be possible to sidestep fundamental questions of ownership and control of the economy. In taking up such profound challenges, a famous line from Marx's *Capital*, suitably adapted, could offer a serviceable guide: *Accumulate, accumulate! That is Meidner and the profits.*

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