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Subversive neoliberalism and the financialisation of Swedish pensions: failure or opportunity?

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INTRODUCTION

Pensions typically constitute the largest form of savings in advanced capitalist economies. Therefore, depending on how they are saved, invested and distributed, they often function as the key mechanisms in the institutional and normative frameworks coercing and mediating social behaviour to stabilise accumulation in general and choices between saving/investing and consuming in particular. They are not only extremely large redistributive systems, but also contribute to the formation of economic subjects (Aglietta, 1998; Lipietz, 1987). For instance, it is widely argued that post-World War II pension systems played an integral part in the construction of solidaristic "social citizenship" as the key element of welfare systems (Marshall, 1950). Similarly, it has been argued that neoliberal pension reforms tend to support an individualised, "self-responsibilising" citizenship connecting citizens to financial market performance, in which there is little place for norms, values and practices of solidarity (Harmes, 2001; Langley, 2006).

The Swedish ATP pension system (*Allmänna Tilläggspensionen*) introduced in 1959 was at the heart of the construction of the "Swedish model", while its successor, introduced in 1999, is central to what can be called *subversive neoliberalism*. Subversive neoliberalism seeks to popularise values of private property rights and market exchange, and does so in a more discrete (or subversive) way than earlier neoliberal projects, championed famously by for example the UK Margaret Thatcher administrations. It does not aggressively attack the welfare state and no longer has much public property to privatise. Instead, it channels neoliberal values, norms and practices *through* the welfare state. The most prolific process for this promotion is *financialisation*, which seeks to create interests in economic policies of low commodity inflation at the same time as it promotes an attachment to price inflation on assets (e.g. real estate, corporate shares, etc.). Indeed, the main aim of subversive neoliberalism, at least in terms of welfare provision, is the normalisation of "asset-based welfare" (Finlayson, 2008).

As I have argued elsewhere (Belfrage, 2008; Belfrage & Ryner, 2009), subversive neoliberal aspirations lay at the heart of the 1998 Swedish pension reform. The aspirations of subversive neoliberalism are seemingly in direct opposition to the values, norms and policies underpinning the "Swedish Model" of solidaristic redistribution of wealth and opportunities supporting a perpetually rationalised export-led economy. Solidaristic values and norms underpinning the "Swedish Model" remained very popular when the new pension system was introduced (Svallfors, 1999; Rothstein, 2001). Of course, the Swedish model never was a finished product: it was an unfinished (albeit arguably quite successful) project that was in most parts reversed from the late 1970s onwards (e.g. Mahon, 2007). A Pension reform in the mould of subversive neoliberalism could be anticipated to provoke strong popular reactions especially in countries like Sweden where the expansion of the welfare state has been central to the labour movement and the popularity of social democracy.

At the time of the pension reform, Mark Blyth (2002, 246) asked what he called the "Swedish question": the question about the ability of neoliberalism to incorporate the Swedish society into its project. Partly in response to this question, I have elsewhere presented two arguments concerning the pension reform. Firstly, this formulation of the question seems dangerously to overemphasise the power of political elites and to neglect the power of social citizenship. In the end, without citizens supporting the policies with their actions, no neoliberal order of whatever kind can emerge. Secondly, had it not been for the fears of the political elites concerning pension reform, there would have been only limited reasons for the subversive approach to the reform (in contrast to less subversive approaches). The subversive approach nevertheless requires very much political support. Perhaps counter-intuitively, the social democrats have often been the elite co-authors of subversive neoliberalism in Sweden. In other words, Social Democracy has been seeking to discretely subvert the attitudes, values and norms that it has itself created and benefitted from. This is particularly relevant in the social democratic economy par excellence, Sweden.

In this chapter, I will discuss the history of Swedish pensions, particularly the public pension systems, and their significance for the Swedish model and subversive neoliberalism, respectively. The embrace of financialisation in pension provision is, as I will argue, in the mould of subversive neoliberalism, which depoliticises the popularisation of private property rights and market exchange. The Swedish Social Democratic Party's (*Socialdemokratiska Arbetarpartiet*, SAP) subscription to this policy paradigm has in part undermined its power base and hollowed out its identity. Indeed, channelled through the universalist welfare state, these reforms have considerable impact, and can be loosely expected to reduce the SAP's chances of re-appropriating identity and power base in the near future. SAP has slowly and reluctantly come to this realisation. Neither sponsorship of "Subversive Neoliberalism" nor the realisation that it has come to hollow out the foundations for Social Democratic politics is specific to Swedish Social Democracy, and this paper thus contains potential lessons for Social Democracy more generally.

The significance of new politics of pension provision and the rediscovery of social democratic values promises to be of growing importance in the near future. The SAP's new leader, Håkan Juholt, has, since taking the head role in March 2011, stated that if the other parties are not willing to substantially reform the pension system, he will make it a central issue to the next elections, anticipated to be held in 2014 (Sveriges Radio, 2011; see also SAP, 2011).

Agreeing with this statement of intent, I will argue in this chapter that a central strategy for the SAP (and thus Social Democracy elsewhere) should be to focus on re-politicising the financialisation of pensions. The myths supporting financialisation must be revealed for Social Democracy to rejuvenate itself.

The chapter has the following structure. Firstly, the paper outlines the Swedish model and demonstrates how the key policy area of pensions was fitted into this model. Secondly, the chapter is focused on the policy paradigm of financialisation in the context of pension policy and how it is linked to the decline of Swedish social democracy. While pension policies were central to the Swedish model, their reforms are of equal significance for grasping what subversive neoliberalism is and how financialisation has transformed the conditions for social democratic politics. In the third section after the introduction, I will briefly look at the reform trajectories in this policy area to further illustrate this significance. Fourthly, I will discuss some of the more general political consequences of the process of financialisation in Sweden. Finally, I will conclude by arguing that what Social Democracy needs now is not policies of de-financialisation, but rather the re-politicisation of financialisation, not least in the policy area of pensions.

PENSIONS AND THE SWEDISH MODEL

The purpose of this section is to firmly establish the significance of pensions for the Swedish economic and social model. This will subsequently be crucial for understanding how subversive neoliberalism seeks to transform and then make use of pensions to cultivate neoliberal values, norms and practices among Swedish wage-earners. Before that, however, we must briefly look at the Swedish history of economic policy in order to provide better understanding of the socio-economic role of pensions.

Pensions and the Rehn-Meidner plan

The small size of the Swedish economy made the development of an encompassing productive system very difficult in the post-war decades. Goods for mass consumption were primarily imported. Export industries were crucial for balancing of the external accounts by earning foreign exchange (Mjøset, 1987, 410). Although the domestic economy grew in significance and provided an important base in terms of production, consumption and investment during the 1950s and 1960s, foreign markets remained critical to Swedish industries. Indeed, "Swedish mass production and consumption [were] mediated by the world market" (Ryner 2002, 69). Foreign demand for Swedish products was high, which made the economy very dependent upon world markets. According to dependency theorist Samir Amin, this exposure does not need to result to dependency in the core economies in contrast to the peripheral economies. Given certain "regulatory moves", a national economic model could be made successful (ibid.). This idea became central to the Swedish post-war economic policy.

Especially the tendency to overproduction and under-consumption had to be regulated through the stimulation of "domestic consumption in a manner which simultaneously counteracts the tendency of the organic composition of capital to increase" (Ryner 2002, 68). Hence the growth in productivity and consumption had to be made synchronous. The Swedish labour movement sought to ensure this synchronicity by developing a highly innovative macroeconomic model. The model, which can be positioned in between Keynesianism and monetarism (see Erixon, 2002), was developed by two LO economists, Gösta Rehn and Rudolf Meidner, and became official LO policy in 1951.

Put crudely, the model can be characterised as a recommendation of a fairly strict financial policy over business cycles in the medium-term, but as different from the expansionary Keynesian policies with the use of disinflationary, as opposed to Keynesianism's inflationary, policies. These ideas were further combined with a selective labour market policy, which was supposed to enable inter-sectoral labour mobility and full employment in times of recession. Rehn and Meidner argued for a strictly solidaristic wage policy through central wage-bargaining in combination with taxes on corporate profits in order to avoid wage drift (Martin, 1984, 205–208). This sped up the structural transformation of the economy in favour of firms that could be internationally competitive while paying for solidaristic wages in firms in the less competitive, sheltered industries and the public sector. The navigation between the Scylla of unemployment and the Charybdis of wage drift required considerable capacities of counter-cyclical management, and powers over exchange and interest rate setting. Hence the Rehn-Meidner model depended on strict capital controls domestically, as well as internationally, as facilitated by the Bretton Woods system (Ryner, 2002, 82–91, 95–98).

As such, the model sought to "combine full employment and growth with price stability and equity through the use of extensive selective employment programs, a tight fiscal policy and a wage policy of solidarity" (Erixon, 2000, 1). By adopting this model in 1955, the social democrat government was able to combine objectives of productivity growth with socio-economic security and to actively integrate these in order to resolve the tensions mentioned above. The SAP sought to impart Swedish political life with a reformist paradigm "at once pragmatic and ideological, adaptable and moralistic" (Heclo & Madsen, 1987, 27), and to appeal both to its primary LO electoral constituents and to Swedish capital. Moreover, it had also laid the foundation for a class alliance with large segments of the middle classes. The expansion of the welfare system, including the pension system, was regarded as the primary means to secure the support of the middle classes for the model.

Welfare reform had been on top of the SAP agenda since their 1936 electoral victory. A struggle between SAP minister Gustav Möller on the one hand and the Social Welfare Committee and LO on the other over the basic principle of social insurance had extended over 15 years between 1937 and 1951. Möller, supported by the SAP, advocated flat-rate benefits while the Committee had stubbornly argued for benefits being linked to income in order to "uphold the standard of living as far as possible" (Lundberg & Åmark, 2001, 165). The LO agreed with the latter in order to uphold its principle of 'equal work, equal wage'. A former LO representative Gunnar Sträng replaced Möller in 1951 and immediately embarked on coordinating a system of sickness, work accident and unemployment insurance on the grounds of the principle of income security, which also made social insurance more interesting for white-collar workers. Following an unproblematic legislative process, all social insurance systems in Sweden became subject to the principle of income security in the first half of the 1950s (ibid., 165–168).

A de-commodifying welfare system (see Esping-Andersen, 1985), which was capable of sustaining consumption levels throughout life as shielded from the extremes of cyclical market performance, was now in the making. For substantial de-commodification to be achieved and mass consumption to be sustained under the high growth conditions, however, two immediate policy objectives had to be met: full employment over the business cycle and high income-replacing pensions. Reaching the objective of full employment was facilitated by the creation of a manpower policy and a labour market board (*Arbetsmarknadsstyrelsen*) in 1948. In 1957, labour market policies were expanded by providing additional funding to the board in order to alleviate cyclical unemployment (Martin, 1984, 217; Pontusson, 1992, 64–65). The expansion of the labour market policy was politically all but controversial, as it was made prior to an expected minor recession in 1956–1957 and was expected to be partly rolled back once the recession had passed.

In respect to pensions, the 1944 reform of the "People's Pension" was still made on the grounds of Möllerian universalism. A flat-rate system replaced the average industrial worker's wage by about 20% in retirement. This was sufficient, according to Palme (1990), to survive without having to rely upon poor relief. However, it hardly sustained consumption in the booming 1950s and 1960s. While the scheme constituted a considerable improvement for blue-collar workers and farmers, the white-collar workers often already had pension schemes – albeit limited – provided by their employers. Indeed, LO disagreed not only with the universalism of the reformed scheme, but with the continued inequalities in the retirement income between blue-collar and white-collar workers as well as between workers in the export-oriented and sheltered industries. Company pensions were not provided by a majority of the main employer association's (*Svenska Arbetsgivareföreningen*, SAF) member firms to blue-collar workers, while the larger ones provided rather meagre pensions. In fact, there had been a veritable freeze on these pensions among SAF members, as a means to avoid competition for labour on the grounds of pensions (Swenson, 2002, 283–4).

Despite the 1944 reform, the SAP had right away motioned to put together a commission to look into the pension issue. The resulting 1950 report proposed the legislative introduction of obligatory supplementary pensions accumulated in pension funds. The 1951 LO congress supported this idea and set up a LO committee to study possible designs of a supplementary system and political strategies of its implementation. While there was a near consensus in the committee on the design of the supplementary system, there were significant disagreements over whether to seek a legislative solution or a bargain with SAF to the issue. Also SAF was divided on the issue. Like the centre-right parties, SAF was especially critical of the funding mechanism. (Stråth, 1998; see also Swenson, 2002, 284–290.) Despite the ambivalence of the labour market forces, supplementary pensions became an issue of highest strategic importance to Swedish politics. Neither the contours nor the functionalities of a policy model resembling the Rehn-Meidner model had been popularly established, so the field was still laid open for struggle over the general direction of economic development.

The birth of the national earnings-related pension scheme

Without going into any specific details of political struggles behind the birth of the national earnings-related pension scheme, the SAP-LO suggestion was to retain the People's Pension and complement it with a large and obligatory pay-as-you-go (PAYG) defined benefit (DB) system guaranteed by the state. The SAP-LO proposal was not only attractive to blue-collar workers but also to white-collar workers who were also affected by the employers' varying commitment to company pensions. With Fordist Taylorism affecting this latter group of workers as well, its status had dropped rendering the distinction between blue and white-collar workers increasingly hard to make. (Stråth, 1998, 34, 45–46.)

Rehn, the LO economist, had played an active part in the formulation of the proposal and had advocated the accumulation of large pension funds with employer pension contributions, the so-called AP Funds (*Allmänna Pensionsfonderna*), to serve as buffers in a future PAYG DB system. In its initial phase, the funds were supposed to function as a mechanism for squeezing profits and hence preventing wage drift. The AP funds were also supposed to provide the credit market with investment capital for selected sectors and firms, and would as such contribute to the rationalisation of the economy (Pontusson, 1984). The design, in accordance with the Rehn-Meidner model, was financially restrictive in order to contain inflation (Erixon, 2002, 9), while promoting rationalisation as well as growth (Ryner, 2002, 90).

The SAP-LO proposal won by one vote and soon SAF turned to support the new earnings related scheme ATP – to the great surprise and dismay of the centre-right political parties (Swenson 2002, 282). The ATP scheme was financed through employers' and self-employed contributions, and was initially managed by three tripartite 'AP-funds' (Pontusson, 1984). Given a required working life of 30 years, it was designed to reward employees with a pension roughly equivalent to 60 per cent of their 15 highest salaried working years (the so-called 30/15 principle) (Palme, 2005, 43). The system was gradually introduced as it was built up, and the 'ATP-pensioners' of 1979 were the first to receive full benefits. In addition, the People's Pension brought income replacement to the level 65 per cent of the highest salaries (Swenson, 2002, 281). Moreover, following a series of increases and streamlining of company pensions, 90 per cent of wage-earners could expect a sizeable addition to this replacement ratio (SOU, 2005, 54). Such highly de-commodifying system built on the basis of income replacement was rather attractive to the white-collar middle classes.

After the SAP victory in the 1960 election, the ATP system would not be seriously challenged until the 1980s. The ATP system became the symbol for labour's increasingly unified struggle and power, and may be characterised as a breakthrough for Swedish Social Democracy (Pontusson, 1992, 79). The SAP also captured a substantial new constituency of white-collar workers through the pension struggle. As Heclo and Madsen (1987, 27) argue, social democrats "captured the idea of the nation – they [...] successfully interpreted the national identity as one of an ever-reforming welfare state". Indeed, the pension system provided the glue that put a lid on conflict in the Swedish society. As LO and SAP were moving to assign the AP funds to tripartite boards, and as SAF had already become convinced of the ATP system, the centre-right parties also turned towards acceptance of the creation (and growth) of the AP-funds following the unsuccessful 1960 elections.

The AP funds became "a natural [and normal] component of the mixed economy" (Pontusson, 1984, 10) and became incorporated into the structures of the hegemonic LO-SAP accumulation strategy to ensure its sustainability.

This was, however, facilitated by the labour movement's recognition of the "free market" as "the most efficient mechanism to allocate capital within the private sector", and the value of business collaboration in order to transform AP fund "pension savings into productive investments" (ibid., 94). The ATP system served to support the growth model mostly by enhancing the regulatory capacities of the credit system. In particular, the AP funds eased significant policy conflicts within the Rehn-Meidner model.

There was no guarantee that the two chief objectives of the Rehn-Meidner model – ensuring adequate investments for full employment and profit squeeze to counter wage drift (or promote wage equality and union cohesion) – could be achieved at the level of wage agreements. Macroeconomic policy was supposed to reduce the tension between these objectives, but it required favourable structural conditions that eroded as the Fordist growth trajectory was being progressively exhausted. To reduce this tension, the bank-centred credit system was strictly regulated to minimise the cost of credit for productive capital at the same time as facilitating capacities to pursue effective macroeconomic policy (Pontusson, 1992, 70–83). The regulations also covered foreign exchange and credit controls, with penalty rates for excessive borrowing from the Central Bank. It also covered the so-called Investment Funds with which corporations could avoid corporate taxation on profit and enjoy favourable depreciation allowances through deposits at the Central Bank. Liquidity could be regulated that way without resorting to high and variable interest rates, and assets held in the Investment Funds were released to the corporations in recessions in accordance with counter-cyclical principles.

As the ATP system was slowly maturing, the AP funds came to play an increasingly important role in these functions. Since they were financed through employers' contributions, set to generate surpluses, they contributed to the profit squeeze that counteracted wage drift. Simultaneously, they made credit available for private as well as public investments. The three AP funds were only allowed to invest in bonds and could not purchase shares in corporations. Corporations could re-borrow 50 per cent of the fees that they paid into the system, provided that a commercial bank took the risk of these 'retroverse loans'. This reflected converging interests between the welfare state complex in having ample access to cheap credit for public investments and the Swedish financial circles, who did not want to see a competing centre of corporate control emerging under labour inclusive tripartite auspices.

A certain kind of growth regime was emerging and the ATP pension system played an absolutely central role in its regulation. Given the profit squeeze requirement for solidaristic wage policy, LO's growing preference in AP fund investments was to work along the principles of the Rehn-Meidner model. These funds had already started to play a significant role in urbanising the economy by funding large parts of the mass housing programme (*Miljonprogrammet*) started in 1965, as well as by lending to the corporate sector. A hegemonic social democratic societal paradigm was established around a project of modernisation and growth, which was to guide subject-formation during the 'golden age' of "the Swedish Model". As Jenson and Mahon (1993, 79) argue, there are times when there is a relative societal consensus about the names of actors, their interests, and the political spaces they inhabit. Debates occur but the voices heard are those that speak the hegemonic language, even if in their own 'dialect'.

THE DECLINE OF THE SWEDISH MODEL AND THE EMERGENCE OF SUBVERSIVE NEOLIBERALISM

The period from 1970 to 1999 saw the decline of the "Swedish model" and the emergence of subversive neoliberalism. This section will discuss the political-economic developments from the dismantling of the Bretton Woods system in 1971, which marked the end of a period of remarkable productivity growth and welfare state expansion in Sweden, to the explicit enforcement of subversive neoliberalism in the following decades, and firmly situate pensions as a crucial feature in these developments. The discussion requires a short revisit to the formative thinking of the previously so successful construction of the Swedish Model in the post-1970s crisis years. Perhaps the most important aspect in these debates is the changing attitudes to finance within the labour movement.

Pension reforms and social democrats

In a sense, the decline of the Swedish model can be directly traced back to the position and actions of the SAP. The support from Swedish capital for the project of dismantling the model was ambivalent but secure as long as profit rates could be sustained (Swenson, 2002). The support from collaborating political parties was similarly ambivalent. In the first instance, support was subject to political consensus because there was some degree of agreement on the necessity of the Swedish model, which SAP was uniquely positioned to manage. In the last instance, however, the model was only coercively ensured through SAP's potential ability to mobilise power resources to enforce it. The power of SAP had become institutionalised constitutionally by the creation of an Upper House conserving Social Democratic power and electorally by a disproportionality principle that provided the SAP with a very beneficial seat-to-vote ratio (see Immergut & Jochem, 2006). This enabled the SAP to typically cherry-pick support from any possible ally when necessary.

The late 1960s presented a number of challenges to SAP and its ability to rely on the Swedish model. Firstly, the turbulence created by US hegemonic decline at a global level – not least evidenced by the suspension of the dollar-gold convertibility and thus the international fixed exchange rate system in 1971 – enabled financial markets to release its speculative "animal spirits" and exploit price movements. Secondly, price hikes in primary goods (especially crude oil) markets in the 1970s contributed to an extended period of combined stagnation and inflation ("stagflation") in the world economy. Thirdly, the competitiveness of Swedish businesses was in decline. The reason for this decline can be derived from stagflation and reduced demand for Swedish products, from growing competition from German and Japanese corporations, and from the absence of sufficiently effective mechanisms in the Swedish model to secure the investment capital necessary to continue the rationalisation process and thus sustain profit rates in key Swedish corporations. With profit rates under threat, capital's support for the Swedish model was falling away. Fourthly, cracks within the labour movement had started to grow as significant parts of it had become radicalised partly in response to the decline of US hegemony. The SAP was increasingly seen as a "state management party", which had lost its radical ambitions to democratise the economy both at the workplace and in terms of ownership. It was further facing accusations of being a “chauvinist” party that prevented women from liberating themselves by obstructing their entry onto the labour market (Jenson & Mahon, 1993).

In its response to these challenges, the SAP “policy-fumbled” and lost its (near-)monopoly on government, and with that the “Swedish model” started to crumble. The quest for new funding mechanisms took a radical turn in the famous wage-earner fund struggle. Responding to the radicalisation of the labour movement as well as to electoral challenges from the political Centre for the SAP’s white-collar support, the labour movement proposed a radical move towards “economic democracy”, combining long-standing ambitions for more decision-making power with an acceleration of the business rationalisation process. The centrepiece of this strategy was the wage-earner initiative, or the Meidner Plan. The Meidner Plan devised new branch rationalisation funds and assigned the tripartite AP Funds with a significant role in the acquisition of up to 49% of the stock of Swedish corporations and for the expansion of the selective and rationalising investment strategy at the core of the Swedish model. However, the plan received heavy criticism from within the SAP, which divided the labour movement. It also served to radicalise Swedish capital, springing into motion an ambitious, and ultimately successful, neoliberal counter-hegemonic project seeking to undermine Meidner Plan and divide a labour movement which it saw as too radical, as its decision-making powers and share of future profits were challenged (see Stråth, 1998).

The much-diluted policy package that resulted from the initiative provided a very limited boost of investment capital. It certainly did not satisfy a radicalised labour movement, and the cracks grew even wider making the mechanisms for the mobilisation of power resources weaker. Potential consensual support from the centre-right was effectively cut by the struggle. It had also turned Swedish capital against the SAP with employers’ organisations mobilising to respond to the radicalisation of labour. Any coercive power to enforce support had been removed by the 1970 electoral reform, which completely removed the Upper House and weakened SAP’s seat-to-vote ratio by making the system more proportional (Immergut & Jochem, 2006). This further weakened the party’s ability to ensure a degree of peace in labour market relations while national wage-bargaining started to lose its disinflationary potential. Global stagflation that hit the Swedish export-industries in 1975–1976 had not helped either. The SAP's hegemonic position and its managerial confidence were rapidly being swept away.

Swedish Neoliberalism

The 1976 election of a Centre-Right government (1976–78) and the subsequent three Centre-Right governments' (1978–1982) set the stage for the emergence of neoliberalism (Ryner, 2002). The 1979 government, strongly supported by SAF and led by the neo-liberalised Moderate Party (Ljunggren, 1992, 393–400), initially continued the "policy fumbling" but soon, controversially, adopted austerity measures, embarked upon the retrenchment of the pension system and devalued the currency in order to tackle the growing deficit. It came into conflict with the labour unions over growing unemployment, wage and welfare policy (Mjøset, 1987, 448). The Swedish version of neoliberalism became most visibly accommodated in the late 1970s, although not unambiguously, by the political party Moderates (*Moderata Samlingspartiet*, MP) (Ljunggren, 1992). Enjoying firm support from "radicalised capital", it aggressively attempted to strengthen private property rights and "free market mechanisms" by reference to a "there is no alternative" (TINA) rhetoric. It especially targeted sectors, policies and regulations that "distorted" the price-setting mechanisms of the market. Inspired by the monetarist economics of Milton Friedman, budgetary deficits and inflation were constructed as public enemies number one and two (Grassman, 1986, 59–67; Sverenius, 1999) and social democrats and particularly the labour unions represented as the main culprits.

The failure to counter the rising neoliberal powers by turning more radical through the wage-earner fund initiative led to growing divisions within the labour movement and the SAP itself. In the early 1980s, sociologist and welfare state doyen Esping-Andersen (1985) stated that Social Democracy had come to face unprecedented challenges from within in the form of the decomposition of the welfare state and from without with the rise of East Asia. Without a phenomenal economic upswing, he claimed, the only hope was a new highly investment-intensive export growth strategy coupled with rationalisation policies targeting accumulation regimes and welfare systems. No upswing followed. Instead the labour movement (including its representatives in the government) soon came to learn about the disciplinary impact of rapidly growing and mobile investment flows on globalising and innovating financial markets. Social democratic politics were severely punished by these flows and subject to the ideological critique from the New Right with policy fumbling and internal divisions. The labour movement became divided between the radically utopian and the cautiously pragmatic, between the neoclassical and the Keynesian, between the public sector and the exporting sectors, between the city and the periphery, and so forth.

A defensive strategy of sustaining and modernising welfare systems became the policy goal for social democrats but only secondary to the imperative of satisfying financial market forces through fighting inflation and cutting public expenditure. SAP returned to government in 1982, and the new Finance Minister Kjell-Olof Feldt gathered an influential group of young economists who in opposition to the previously dominant Keynesians were inspired by Friedmanite ideas. During the formulation of the Swedish "Third Way", this group of economists played a central role in policy-making (Feldt, 1991). Key neoliberal ideas thus came to be diffused into Swedish Social Democratic politics. For example, fighting inflation through "rules-based monetary policy" became a fundamental tenet of the intellectual framework of the group (Lindvall, 2009, 719) – even though inflation was in Sweden, on aggregate, far from exceeding the OECD average at that time. This conviction was consolidated not only by the famous "U-turn" in monetary policy by the French Socialist Mitterand government in 1982, but also by SAP's own difficulties in setting discretionary monetary policy upon its return to the government later that year.

In contrast to the traditional profit-squeezing policies of the SAP and LO, increased corporate profits were now considered necessary to boost productivity and competitiveness in order to reinstate employment and equity – a fact presented as something that "the labour movement of today has to accept!" (Bergström et al., 1981, my translation). These new ideas resulted in tensions within the labour movement, within the SAP leadership, between the unions and the party, and in between different ministries (Lundberg, 2003, 234). Modernisation of welfare systems became the misnomer for subtle welfare retrenchment, and the issue of pensions was positioned at the centre of this over-arching discussion.

Amidst cutbacks, austerity measures and overall language of 'economic realism', the symbolic significance of the ATP system was exemplified when the SAP vowed to restore the guarantee of the pension value in order to ensure the support of the rank-and-file social democratic voter. As Lundberg points out, it is in this context extraordinary to find the retained, if not strengthened, commitment to the values underpinning the ATP-system. The bourgeois government's removal of the guarantee was framed as a clear assault on the principle of de-commodification. At a special session on social insurance and pension provisions at the 1981 SAP party congress Sven Aspling, a top member of the SAP, referred to the ATP-system as the greatest institution of social security of the time, 'the jewel in the crown' of the Swedish system of redistribution (Lundberg, 2003, 118).

While the foundations for the neoliberalisation of Swedish Social Democracy had been rolled out, pensions were still defended. As Svallfors (1989) argues, the welfare state funded by high taxes was an unchallenged and significant part of Swedish daily life still in the 1980s, and pensions were a central part of it. From the perspective of social democrats, the ATP system was central to the ideological power of SAP. While other supposedly costly historical commitments were to be profoundly questioned in the name of economic realism in order to clean out the state budget, pension provisions were to be guaranteed at any cost in the early 1980s. The cost of restoring the ATP system was considered independently from the threats and fears expressed in the context of the precarious economic situation. Undeniably, "at the congress pensions were made into a kind of yardstick for the party's continued adherence to Social Democracy" (Lundberg, 2003, 120; my translation).

SAP would have seriously struggled to return to power in 1982 without the credibility in restoring income and pension security after the elections. However, the focus on pension security proved to be a mixed blessing for the social democrats. The Swedish currency, the *Krona*, was devalued immediately after the 1982 elections, which made the restored value guarantee of pensions a quite slender compensation. In 1984, a parliamentary commission was set up by the SAP government to review the ATP system following the identification of a new, burgeoning threat to the welfare state – the rapidly aging population. The ATP system was also losing its significance as a mediating mechanism in the economy, particularly in relation to the supply of investment capital. As wages were failing to keep up with price developments, the credit provided by the AP Funds to the economy was shrinking relative to other sources of investment capital (Pontusson, 1984, 64–65). The market for bonds through which the AP Funds was issuing credit had become less significant with the growth of other financial markets. The defeat in the wage-earner fund struggle also effectively ruled out collectively owned equity as a policy option. Indeed, pensions were becoming a costly, risk-prone and economically less vital political issue than before.

The SAP government's reply to the calls for increased private equity savings in the 1980s was the launching of the tax-exempted Public Savings Scheme (PSS) campaign (*Allemanssparandet*) after the elections. The centre-right government had sought to increase private equity savings through the Tax Fund (*Skattefond*) initiative already the previous year. Prior to these initiatives, Swedish households had a relatively limited degree of savings (Klevmarken, 2006). Combined, however, these initiatives led to a mass popularisation of private saving forms, which continued in the 1990s (Grip, 2001). While the different initiatives were part of the political struggle between the SAP and the neoliberal alliance, together they represented the burial of any meaningful wage-earner fund initiative. This can also be seen as the point from which LO became increasingly marginalised from the processes of economic policy making. The neoliberal Tax Fund initiative was a weapon against LO and the SAP's PSS campaign symbolised a break in the relationship between SAP and LO (Jonsson & Lounsbury, 2004, 27–35).

SAP lost both the 1976 and 1979 elections partly due to its continued support for the wage-earner fund campaign. The encouragement of household equity savings through PSS estranged the increasingly neoliberal SAP from the radical elements within the labour movement and distanced it from the idea of wage-earner funds when returning to power in 1982 (Feldt, 1991). Furthermore, the boom in private retirement savings was causing worries about the ability of the ATP pension system to survive the competition (Dagens Nyheter, 1982). By encouraging private equity savings, an even larger part of the wage-bill was transferred to corporations. This change was underpinning the Swedish 'third way'. It meant the replacement of the Rehn-Meidner model's combination of efficiency and equity with a neo-classical outlook emphasising the dual commitment to price stability and efficiency.

Growing tensions between SAP elites and LO, however, undermined solid support for the Third Way, and the SAP used pension policy to reassure LO voters. Following SAF's move to stop central bargaining on wages, SAP put pressure on LO to restrain wages, even though the weakened control over wage-setting would render LO incapable of preventing wage-drift effectively. As a consequence, LO took "a less cooperative stance with the state". (Blyth, 2002, 221–222.) As the 1982 devaluation turned out unnecessarily sizeable, import inflation added to the "distributional anxieties" of an increasingly isolated LO. In a situation where the state was seen by labour to be abrogating its commitment to equality and universalism with its new distribution policy, where the burden of the solidarity wage and increased import costs fell all the more heavily on the unions, and where business were seen to be reaping profits from what LO perceived as a zero-sum redistribution, the unions started to turn against the 'third way' (Blyth, 2002, 222).

The increasing antipathy of the labour movement towards the social democrats resulted in the so-called War of the Roses (*Rosornas Krig*) between the SAP government and LO. SAP had slowly moved towards the political centre and emerged now more distant from LO and closer to the neoliberal ideas of the centre-right parties. Given the fear of workers' disaffection before the 1985 elections, finance minister Feldt nevertheless went ahead reluctantly with a compensation to pensioners for the reduction in pensions that the excessive devaluation had caused (Svensson, 2001, 55). Again, the SAP commitment to the ATP pension system helped to re-elect the party even when it had increasing tensions with the labour movement.

The financialisation of Swedish economy and pension provision

Financial intermediaries created by the large commercial banks and operating beyond the organised credit market ("disintermediation") emerged in the 1970s and 1980s for the purpose of circumventing the regulations of the Swedish Central Bank. High-profit engineering firms like ASEA, Alfa-Laval and Volvo had turned to the creation of financial subsidiaries in order to reduce their dependency upon their 'house banks' (Olsen, 1991, 128). The SAP governments in the mid- to late 1980s saw no alternative to a liberalisation of the financial system, thus undermining any remaining labour union control over investments. The financial lobby emerged as highly influential in this policy process (Svensson, 2001, 254–270). Policies ensuring financial liberalisation at macro (monetarism, central bank independence, credit and capital controls), meso (principles and values of shareholder value) and micro levels ("embedding" everyday life/households in processes of financialisation through housing, saving/investment/consumption/credit and welfare policy reform, including pension reform) were introduced during the 1980s and early 1990s largely under social democrat leadership. Liberalisation was supposed to increase investment capital flowing into the economy and thus to relieve the state and corporations from financial market exposure, responsibility and budgetary burdens.

The centre-right government of 1991–94, led by Carl Bildt of the neoliberal Moderate Party and strongly supported by SAF, sought for further neoliberal restructuring. Indeed, the Bildt government constructed the most radically neoliberal discourse witnessed so far in Sweden. Neoliberal social forces openly targeted what remained of the 'Swedish model' with a discourse of 'no alternative'. Union interference with the economy, the welfare state and the politically dependent central bank were blamed for the economic crisis. Immediately after the government had come to power, businesses were called upon to exit tripartite cooperative forms indefinitely. (Blyth, 2002, 228–230.) SAF drew up "a detailed plan for the complete privatization of the welfare state by the turn of the century" (Pestoff, 1991, 153). These goals were justified on the grounds of market efficiency and consumer choice, resulting in the establishment of public-private mixes. As private solutions were primarily made accessible to the affluent, a two-tier system of welfare provision was becoming a fact (Blomqvist, 2004). This indeed increased private savings rates in general (Pettersson, 1993, 26), and in particular raised equity ownership up to 60 per cent of the savings stock by 1994 (Fondbolagens Förening, 2004). The financialisation of everyday life was thus gaining rapid momentum.

The early 1990s also saw the emergence of a more subtle, indeed subversive, form of neoliberalism. Just like TINA neoliberalism, subversive neoliberalism seeks to popularise values of private property rights and market exchange. Growth is understood as driven by global financial markets who reward and discipline economic agency. Yet subversive neoliberalism does so more discretely than the TINA version by not targeting the welfare state aggressively. Instead, it makes use of the welfare state to promote neoliberal values, especially "financialisation". This has typically been combined with the knowledge-based growth model (Jessop, 2006; Van Apeldoorn, 2009).

This is by no means less effective a strategy particularly in the context of the Swedish model where the welfare state is universalistic, thus affecting the whole of society. On the contrary, Sweden is an extremely fertile environment for subversive neoliberalism – especially when undertaken and defended by social democrats. In the full belief that there is no alternative and continuing to play the role of state manager, Social Democracy becomes both the administrator and the defender of neoliberalism. Its sponsorship of the 1998 pension reform is a significant example here (Lundberg, 2008).

While several key initiatives of the early 1990s can be seen to be in the mould of subversive neoliberalism – including EC membership (see e.g. Bieler, 1999, 2003) – I here focus only on the key initiative of pension reform. The ATP pension system, which already in the mid-1980s had become regarded as a stumbling block to the "international process of deregulation and increased financial sophistication" (SNS Konjunkturråd, 1986, 73) driven by neoliberal forces, was identified as the main target in the privatisation of the welfare system. Pension reform was understood as critical for the deepening of financialisation. The discursive construction of an aging population became absolutely fundamental to the achievement of this objective. Upon the elections in 1992, the centre-right government, firmly supported by a grand coalition of three centre-right parties and SAP, set out to replace the existing public pension system with a completely new system. However, with its voter credibility so closely associated with the historical values embedded in the old system of substantial redistribution and income security, the co-sponsoring SAP insisted that the new system to be represented as commensurate with such values. This could be done quite convincingly because the new system bore some resemblance to the old one apart from a new funded element. Still, undoubtedly, the new system introduced in 1999 differs radically from the old system (Lundberg, 2008, 16).

The new pension system is a hybrid, three-pillar system. The first pillar is constituted by the means-tested and tax-financed Guarantee Pension (*Garantipension*), which replaced the universalist People's Pension (*Folkpensionen*) of the old system. While the People's Pension was provided as a solid foundation to all pensioners, the Guarantee Pension only kicks in for those whose pensions do not reach the Social Assistance threshold levels of subsistence. Moving away from universalism towards residualism is a typical feature of (neo)liberal welfare systems.

The second pillar is constituted by the Income Pension (*Inkomstpensionen*). Accumulating over the duration of working life and rewarding disproportionately work in the years immediately preceding and after standard retirement age of 65, the Income Pension strongly incentivises a relative extension of working life. As such, it also standardises expectations of the length of working life with no, or limited, consideration of work demands. Moreover, demands on intergenerational solidarity are reduced as there is an automatic adjustment process relating to size and longevity of age cohorts. Such an automatic balancing mechanism also attaches to economic growth (*Bromsen*, or "the brake"), which adjusts benefits to economic growth. Altogether, this new second pillar is no longer intended to provide a normal standard of living, but rather to add insecurity and thus incentivise to increased private savings levels and engagement with the funded third pillar of the system.

The third pillar of the system is arguably the most controversial one in the new system. A seventh of pension contributions, or 2.5 per cent of total individual annual earnings, goes towards building pension savings through the fully actuarian Premium Reserve System (*Premiereservsystemet*, PRS). The PRS exposes individual pensions directly to financial market performance.

Thus a central objective of its introduction is the normalisation of financial market participation. Pension savers can choose up to five among 750 to 800 trust funds operating in accordance with conventional commercial criteria. This "opportunity" is intended to incentivise pension savers to learn how to choose and manage portfolio investments. This process is managed by the Premium Pension Authority (*Premiepensionsmyndigheten*, PPM), which constructs perceptions of risk levels and provides information about individual pension accounts. It has also actively sought to discourage relying on the passive, index-tracking default fund, which manages the savings of those who do not "take advantage" of the fund choice.

All in all, the direct form of financialisation that the PRS ensures, combined with the intended inadequacy of the other two pillars, spells a highly significant qualitative shift toward re-commodification in Sweden. Moreover, redistribution is kept to a bare minimum. Combined with the financialisation of all supplementary pension schemes since the early 1990s, pensions now rather contribute towards than against the increase in inequality (Svenska Dagbladet, 2007). Risks have been radically redistributed from the state and employers to the individual level with relatively lower employers' fees. The automatic balancing of the system with the introduction of "the brake" in the second pillar and the "actuarianism" in the third has sought to remove pensions from political arenas. Finally, further weakening scope for political intervention, any corporatist steering of investments in the PRS system is effectively undermined as a consequence of the fragmentation of investment decision-making.

As I have argued with Magnus Ryner elsewhere (Belfrage & Ryner, 2009), the 1999 pension reform represented a significant dilution of social democratic principles in a number of respects. Firstly, and most significantly, the reform represents a significant degree of re-commodification, because pension savers become increasingly dependent on a market-determined cash nexus. This was so because, contrary to the old ATP system, the new Income Pension did not – and this was deliberate in the policy – guarantee a normal standard of living, hence making the pension saver dependent on the purely actuarian and market-oriented PRS as well as additional voluntary savings. Secondly, the universal and flat-rate People's Pension was replaced by the means-test based

Guarantee Pension, introducing a significant element of stratification. In addition, the increased reliance on highly capitalised security markets has divested the pensions system of any potential role in corporatist steering.

Arguably, the Swedish pension reform is not a new type of pension formula, but rather a novel pension policy instrument designed to obscure the shift in underpinning values and norms from typically oppositional actors in the electoral base, particularly the labour and pensioners' organisations (Cichon, 1999, 1; Myles & Pierson, 2001; Lundberg 2003). Indeed, the Swedish pension reform was a distinct elite project under the auspices of a coalition of the main political parties very much including the social democrats, who excluded such organisations from the design process and kept the opportunities for public debate small (Lundberg, 2003). The adoption of the new system is intended to generate "a new 'zeitgeist'" in the economy (Cichon, 2005, 1). Risk sharing and collectively agreed norms of fairness are done away with and replaced by risk privatisation and "actuarial fairness" (World Bank, 2001, 1; Lundberg, 2003).

Shortly after the legislation of the reform, the social democrats returned to office in 1994, drawing on traditional social democratic imagery to represent itself as the defender of the welfare state. Successful in this endeavour, its return was "interpreted in Sweden as [...] a fierce determination among the voters to protect the extensive welfare system, which came under sustained attack during Bildt's tenure" (Blyth, 2002, 236). Using a very different, sometimes seemingly radical, language to legitimate its policies, SAP nevertheless rerouted neoliberalism onto a more clearly subversive neoliberal path. This based on a new discourse celebrating notions of human capital and the rational investor in the new knowledge-based economy as rendering the critique of capitalism unnecessary with labour now endogenously owning the means of production and capable of rational financial management (Andersson, 2007).

Soon, the role of the state was reconceived as the so-called social investment state (Giddens, 1998; Jenson & Saint-Martin, 2003b), with which security was redefined to refer to the capacity to face risks in the market, not protection from such risks. The social investment approach has involved the 'disciplinisation' of labour through the promotion of flexible labour (qua labour markets, e.g. flexicurity) and financialisation of everyday life. The new attitudes and practices required by labour were even sometimes represented in terms of play: continuous learning, flexibility and adaptability like when playing with LEGO. Like with LEGO, the attitudes and practices required to play in life have now to be learnt intuitively – that is, without any direct public investment and by incentivising individuals to activate themselves and to build up human and social capital (Jenson & Saint-Martin, 2003a, 15).

THE CONSEQUENCES OF FINANCIALISATION FOR SOCIAL DEMOCRATIC POLITICS: REPHRASING THE SWEDISH QUESTION

The Swedish party political convergence around the objective of a finance-led knowledge-based economy emerged around a symbiotic relationship between finance-led growth (see Boyer, 2000), active labour market policy and "modernised" welfare systems with a cultural ethic of self-responsibilisation. The pension reform arguably set the tone for subversive neoliberalism in Sweden. Yet it is far from clear whether Subversive Neoliberalism has been successful in universalising neoliberal norms and values, and thus in undermining social democratic politics in the future. Blyth's (2002, 246) 'Swedish question' – "will the lack of public support for neoliberal ideas and the policies they augur prevent their consolidation or will such an order be constructed despite the wishes of the majority?" – is in a dangerous manner potentially overstressing the power of political elites and neglects popular resistance to elite projects.

Indeed, governments formulating policies in the mould of subversive neoliberalism are fully aware of how severely punished they can be at the polls. This is the case especially with big welfare transfer systems like pension systems over which trade unions and other stakeholders hold powerful sway both in terms of management and public opinion (e.g. Pierson, 1995). In Sweden, which is generally recognized as the advanced capitalist society with the highest degree of mobilisation of organised labour and has a hegemonic social-democratic ideology and welfare policy regime, taking potential resistance seriously in neoliberal policy-making is crucial (Belfrage & Ryner, 2009).

The embrace of subversive neoliberalism and financialisation has led to a situation in which the meanings of Swedish Social Democracy and of being a Swedish social democrat have been severely diluted. The leading centre-right party, the Moderate Party, has sought to take advantage of this dilution by establishing itself as "the new labour party" and have done so with considerable success. It has abandoned TINA type neoliberalism and bought into the subversive approach by for instance claiming to defend the welfare state and merely modernising it. Certainly, the financialisation of the welfare state serves the purpose of commodifying labour, which is in perfect line with neoliberalism and which implies that the welfare state becomes a vehicle for promoting neoliberalism. The Moderate Party has, partly as a consequence of the abovementioned claim, made considerable inroads into previously Social Democratic constituencies and thus won two consecutive elections (in 2006 and 2010).

That said, the universalism of financialisation in Sweden has not created the desired effects benefitting all but rather created stronger social divisions. As a central example, the pension system has not successfully normalised financial market investment – certainly not in any universal manner. Although the new pension system has produced a society in which financial market investment is prevalent, it has not brought about a 'mass investment culture', in which daily interaction with financial markets is "commonsensical" or an acceptable part of everyday life to most (see Harmes, 2001). The 'active' participation rates in the PRS system do not testify to such a development. This shows the limits of the Swedish subversive neoliberal project – at this point of time, at least.

The PPM chief economist Daniel Barr (2008) admitted right before the 2008 financial crisis that the active involvement of Swedish daily life into circuits of financial capital is limited to around twenty per cent of the Swedish population. The large majority of pension savers are instead remaining 'passive', index-tracking investors "committing" their savings to the 7th AP fund, the default fund. This group corresponds largely with the constituencies from which SAP mobilises its voters: women, working and lower middle class living in the semi-urban hinterland (Belfrage & Ryner 2009, 280). Those who are 'active' tend to be those who are the most confident in their financial literacy. This is the typical middle class suburban Centre-Right voter. Thus the deployment of the new system seems to have reinforced growing societal divisions rather than universalising the commitment to neoliberalism (Belfrage, 2008).

The de-commodifying welfare provision remains very popular and values of solidarity and equality of outcome are held in high esteem in Sweden. This may present a lifeline, albeit thin, for Social Democracy. As the societal divisions become more apparent, the subversive neoliberalism may backfire if any of the political parties in the grand coalition sponsoring that removes the commitment to the system a serious political move. SAP could make an "apology" for its neoliberalisation, a symbolic launch of a left-turn in its politics. Indeed, SAP has in the last few years made noise about its discomfort in the sponsoring coalition. In July 2006, in the mid-stage of the election campaign, former SAP Prime Minister Göran Persson (2006) stated that the new pension system had to be critically revisited in order to address the growing injustices within it. Two years earlier, the SAP Finance Minister Pär Nuder had provocatively stated that the large "40s generation" was going to cause considerable problems to subsequent generations given the large pension expenditures expected and the automatic adjustment this was going to trigger (Expressen, 2004). There seems still to be scope for SAP to credibly make the move.

Turning against subversive neoliberalism by re-politicising financialisation?

> "The new pension system has now been in operation for more than a decade. In some sense, the system has proven successful, in other ways it has shown to have disadvantages. It is too vulnerable during dips in economic growth, which the repeated kicking in of "the brake" has shown during recent years. Pensions have become too small while administrative costs have increased at the same time. Class divisions grow among the elderly as demands on longevity of contribution are strengthened and impact on pension levels. Fundamentally, the system is underfinanced. The system must now be evaluated, its funding strengthened and be made more fair." (SAP, 2011, 18; my translation)

In lieu of a conclusion, I would like to discuss recent developments in SAP politics, in specific those relating to the pension system in the context of the financial crisis and indirectly in relation to financialisation and subversive neoliberalism. At this difficult moment for Social Democracy in Europe in general and in its Swedish heartland in particular, distancing from subversive neoliberalism promises to be the only way for Social Democracy to reconstruct its identity and electoral foundation. Turning against the current pension system would be the ideal move to do so. If pensions could play a central role in ensuring SAP popular support during its glory days, maybe pensions can return some of that glory now. If it is a high time to re-politicise financialisation why not start with pensions.

As I argued in 2008, right before the outbreak of global financial crisis, popular responses to financialisation may in the context of great instability on global financial markets increasingly contribute to the outcome of Swedish electoral politics in the near future. As I have argued in this paper, subversive neoliberalism was to a large extent about the subtle de-politicisation of financialisation, about the normalisation of everyday finance and about connecting the size of household wallets to financial outcomes. For the rejuvenation of Social Democratic politics, it would seem promising to take advantage of the financial crisis and the simmering discontent the impact of financial markets.

While SAP remained reluctant to do much more than revisit aspects of the design of "the brake" in 2011 as a member of the "grand coalition", more noise has recently been made. Indeed, the SAP Crisis Commission stated (cited above) in March 2011 that the pension system was unfair, divisive and underfinanced. However, formulating pension politics that are capable of gaining substantial support is a complex matter because pensions themselves are complicated. Indeed, I argue here that to be successful in this endeavour, SAP politics must cultivate critical financial literacy that re-politicises the pension system. It should aim at constructing new forms of solidarity around a critical knowledge of finance. This can subsequently serve as a platform for the rejuvenation of social democratic politics. The crisis is an opportunity because it has brought about anger, a critical attitude to and a thirst for knowledge about rather than exuberance or indifference in the face of finance. Social Democratic politics has to intervene and do so in a manner that informs an understanding of finance as underpinning commodification in the first place: as a force deeply commodifying and destroying social cohesion, which undermines social democratic politics.

"Financial literacy", not least in the form constructed by PPM in relation to the pension system, was represented as a politically neutral issue, simply as the knowledge required to make the best choice between the mutual funds participating in the PRS. Financial literacy was rolled out by means of incentivisation to choose from a large range of financial services with some basic information and steering mechanisms, of shaming those who did not frequently trade and of "nudging" pension savers in the right direction according to self-constructed risk profiles into an enormous choice (over 2 million targets and funds). This is not politically neutral. It seeks to construct a mass investment culture populated by day traders (Belfrage, 2008; Belfrage & Ryner, 2009).

Social Democracy should not continue to sponsor the construction of this "neutral" policy of financial literacy intended to promote neoliberalisation, but rather question it. It should ask the questions of how the Swedish pension system produces unfair pensions and forms an integral part of subversive neoliberalism and financialisation. It should further ask why it was set up to do so. On the one hand, these are uncomfortable questions to ask for Social Democracy because the answers will implicate it in the neoliberalisation of the Swedish economy. On the other hand, it may enable it to reconstruct its identity and its electoral foundation in a period of financial upheaval, which it is considerably better positioned to manage than its Centre-Right competitors.

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