The Swedish wage-earner funds and economic democracy: is there anything to be learned from them?

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Summary
In 1983, the Social Democratic government in Sweden proposed that wage-earner funds should be implemented in the country and this proposal was adopted by parliament. The reform was initiated by LO, the large blue-collar trade union, and had been debated for more than a decade. Its purpose was to develop economic democracy, counteract the concentration of capital ownership but also to increase collective savings and supply capital for investments. When a coalition government, led by the conservatives, took office in 1991, the wage-earner funds were abolished. It is unlikely that this type of reform will reappear on the Swedish political agenda in the foreseeable future. Nonetheless, collective funds of some kind might be a way to start dealing with the lack of economic democracy and the unequal distribution of capital. In light of the Swedish experience with wage-earner funds, this article discusses some issues related to such a strategy.

Résumé
En Suède, en 1983, le gouvernement social-démocrate proposa de mettre en place dans le pays des fonds de salariés et cette proposition fut adoptée par le Parlement. La réforme avait été initiée par le grand syndicat ouvrier LO, et avait fait l’objet de discussions pendant plus de 10 ans. Son objectif était de développer la démocratie économique, de s’opposer à la concentration de la propriété du capital, mais aussi d’accroître l’épargne collective et de mobiliser des capitaux pour des investissements. Lorsqu’une coalition gouvernementale dirigée par les conservateurs arriva au pouvoir en 1991, les fonds de salariés furent abolis. Il est peu probable que ce type de réforme réapparaisse à l’agenda politique suédois dans un futur prévisible. Néanmoins, certains types de fonds collectifs pourraient constituer une manière de commencer à s’attaquer à l’absence de démocratie économique et à la distribution inégale du capital. À la lumière des expériences suédoises des fonds de salariés, cet article examine certaines problématiques relatives à une telle stratégie.

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Zusammenfassung

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Introduction
The unequal distribution of wealth in the world is grotesque. After a long period of declining inequality during the 20th century, the differences seem to have increased again in recent decades (Piketty, 2014). Ownership of capital – assets used in the production of goods and services – is a decisive factor in this inequality. Even if many countries are now political democracies, they are far from having anything that could be called economic democracy. There is the liberal view that production in market economies is consumer-controlled to the extent that companies must abide by consumer demand in order to make profits, but economic democracy is a misleading label for this as purchasing power is very unequally distributed. The existing distribution is incompatible with the democratic principle that every individual should have one vote. Moreover, the assumption of consumer control also completely ignores the issues of power over investments and management of firms.

In socialist ideology the means of production in society should be put in the hands of the entire people or at least of those who do the work. If a change of that kind could be successfully brought about, capitalist power would no longer exist and the production of goods and services would be subject to some type of democratic management. This is the ideal and the critical question is whether the people as a whole can really take command of production. As history has taught us, the risk is that bureaucrats and managers instead emerge as a new ruling and privileged social stratum. The lesson is that very strong democratic mechanisms are indispensable for developing economic democracy.

Political democracy has been a major goal in the history and struggles of the labour movement. It has also been achieved in many countries, but democracy has not been extended to the economic sphere, although capitalist power is often circumscribed by various laws enacted by national parliaments. There are regulations with respect to hiring and firing, working time, physical working conditions and many other aspects. Instead of nationalization of enterprises, society may take control over individual functions that usually come with ownership. Functional socialism has been suggested as the appropriate term for such a strategy, and in that regard Sweden is – or at least has been – seen as a model country (Adler-Karlsson, 1969).
Hand in hand with strong trade unions, the Swedish Social Democratic Workers’ Party (SAP) has implemented several reforms limiting the ownership rights of employers. The most important period for introducing such regulations was the 1970s. There was a radicalization of the Swedish working class and population in general in the 1960s – with the miners’ strike in 1969–1970 as a highlight – and it had a significant practical imprint some years later. Among the reforms in this period we find the Board Representation Act (1973), the Employment Protection Act (1974), the Shop Stewards Act (1974), the Act on Co-determination at Work (1977) and the Work Environment Act (1978). Although these interventions in the capitalist exercise of power have indeed been important, the capitalist mode of production has survived. It requires that owners make profits and to do that they must have the final word on crucial issues. They have sometimes been put under intense pressure but have nonetheless been able to preserve sufficient control to keep their leading position.

To develop economic democracy it is essential to focus directly on ownership. One way of doing this might be to establish wage-earner funds. In Sweden, funds of this type were put into operation by the Social Democratic government by a parliamentary decision in 1983. However, the reform was overturned by 1991, when a new, centre-right government took over. After the dissolution of the system, the topic vanished from the political agenda; it immediately became a non-issue. This does not mean that the question of economic democracy has ceased to be relevant. In this article, I ask what can be learnt from the Swedish experience of wage-earner funds and whether some arrangement of that sort could still have a future.

The Swedish wage-earner funds – a brief history

Many authors have described the Swedish wage-earner funds and the ideas behind them (for presentations in English, see, for example, Blyth, 2001; George, 1993; Hancock and Logue, 1984; Lyon, 1986; Meidner, 1981, 1993; Olsen, 1991; Pontusson and Kuruvilla, 1992; Whyman, 2006, 2007), but it is worth briefly recapitulating the story from the early 1970s onwards. Similar initiatives to develop economic democracy were taken in, for example, West Germany, the Netherlands and Denmark. Sweden was thus not an exception in that respect but was unique in actually implementing a wage-earner fund system.

In what follows I will focus on the Swedish labour movement’s role in the emergence of wage-earner funds. Several issues stand in the background. One was the question of what to do with the ‘excess profits’ generated by the so-called solidaristic wage policy pursued for many years by the Confederation of Trade Unions (LO) – the large blue-collar trade union in Sweden – which aimed at wage equalization in the labour market. This policy meant that wages were held down in profitable and expanding industries and increased in less profitable and contracting ones. In that manner it was possible for companies in expanding industries to obtain higher profits than they would otherwise have done. Accordingly, it could be argued that workers subsidized profits in these companies by refraining from using their full strength to achieve wage increases. Wage-earner funds might thus be seen as a method of dealing with the problem of overabundant profits.

There was also a discussion about wage-earner influence in the economy and in workplaces. Such a discussion had occasionally cropped up during the 20th century. After the First World War, ideas about what was called ‘industrial democracy’ took hold in the Swedish debate, as in a number of other countries (Lundh, 1987). As a consequence, public inquiries were initiated to look at the question, but they did not lead to any reforms. The whole issue was soon overshadowed by a political backlash and later by the economic crisis that started with the stock exchange crash in New York in 1929. After the Second World War there were some attempts to breathe life into the matter
again, but other issues came to the fore. The project to build social security and welfare engaged
the labour movement for the subsequent decades. Social reforms such as child benefits, extension
and unification of compulsory education and a new pension system appeared on the political
agenda, marking the beginning of a modern welfare state. However, with the radicalization of the
working class in the 1960s, the ideas of economic democracy were resurrected. The very unequal
distribution of capital ownership created feelings that it was necessary to do something about it.

At the LO congress in 1971 these issues were discussed and a group headed by economist
Rudolf Meidner was commissioned to work out a proposal on wage-earner funds. It was aimed
at providing a basis for further discussion. Meidner and his collaborators (1975: 18–21) defined
three main goals: to counteract the concentration of ownership which, from a general equality per-
spective, must be regarded as unacceptable; to increase wage earners’ influence in economic life
through ownership of capital; and to facilitate the continuation of the solidaristic wage policy by a
mechanism to deal with excess profits (which could also be seen as an element in lessening the
concentration of capital). The implications of wage-earner funds were discussed in relation to a
number of other issues as well: employment, supply of capital, price stability and income distrib-
ution. It was suggested that a certain proportion of companies’ profits – tentatively, 20 per cent
before tax – be used as directed issues of shares for the funds. A central idea was that wage-
earner funds should be owned collectively without possibilities for individual ownership. Further-
more, they should be general and not company-related.

In the long term, wage-earner funds might be expected to own more than half of the shares in
larger Swedish companies. There would be several industry-specific funds and an equalization
fund. Trade union congresses would appoint the members of the industry fund boards, which in
turn – it was proposed – would elect representatives to the equalization fund board. The plan set
no definite limit on the size of companies to be covered by the scheme, but the public sector was
not to be included.

Several other problems were also discussed in the Meidner report. One was that trade unions
might end up caught between two stools by assuming an ownership role. This was not seen as
an irresolvable dilemma, however. Another issue was multinational companies. It was recognized
that companies operating in different countries might choose where to take their profits. In other
words, it would to some significant extent be possible for them to avoid unfavourable profit-
sharing and taxation. This must be taken into account concerning both Swedish companies oper-
ating abroad and foreign-owned companies operating in Sweden. No simple answer on how to deal
with the problem was given.

After the first report was launched, the same authors wrote a more detailed plan for the LO con-
gress in 1976 (LO, 1976). The objectives of the envisaged wage-earner fund reform were defined
as before and the proposals were similar but more specific. With regard to the size of companies to
be included in the scheme, it was suggested that the limit would not be lower than 50 employees
and not higher than 100. The LO congress supported the plan, but left the limit on size of company
open. It thereby conveyed the impression that even the smallest companies might be included. In
the succeeding discussion it became easy to arouse opposition by arguing that the wage-earner
funds might take over the business sector as a whole.

Although the SAP and the LO had long collaborated as two branches of the labour movement,
the party had so far mainly waited on the side-lines, probably feeling that the reforms enacted so far
and those on the way would constitute sufficient counterweight to capitalist power. The Social
Democrats had neglected ownership issues for a long time, despite the declaration in the party pro-
gramme that control over production and distribution should be exercised by the population as a
whole. Because there were strong reactions from business and the centre-right parties to the
decision taken at the LO congress, the SAP had to take a more active role. One immediate reason was the election in September 1976; the wage-earner fund proposal appeared to become a burden for the Social Democrats in the campaign. In fact, they lost power for the first time in 44 years, but the loss was also due to other issues.

In 1977 a joint team including both SAP and LO representatives – Rudolf Meidner and Anna Hedborg remained from the original LO team – was appointed to work out a common plan for wage-earner funds (LO/SAP, 1978). Perhaps the most important change compared with previous proposals was the addition of a new goal: the wage-earner funds were to help to increase collective savings and to supply capital for productive investments. This goal was not just a supplement; it was given a key role on a par with the other three. We need to recall that during the preceding years the Swedish economy had gone through a severe crisis, involving massive job losses in, for example, the shipyards and the steel industry. Moreover, there was an important restriction in the plan concerning size of company. The wage-earner funds would affect only companies with 500 employees or more (about 200 companies at the time). It was proposed that 20 per cent of profits be transferred to a large number of regional (county) funds for a period of five years. It was recommended that the voting rights associated with shareholdings in the wage-earner funds be divided – up to a specified level – between the regional representatives and the employees in the companies concerned.

There would also be two central development funds, financed by a tax on all incomes from work, to begin with also for five years. The purpose was to provide Swedish industry, which was experiencing tough competition, with capital for technological advancement, innovation and expansion. One of the funds was to have a majority of employee representatives and the other a majority representing the interests of society as a whole.

The SAP congress in 1978 was generally positive with regard to the goals of wage-earner funds, but decided not to take a stand regarding the more specific recommendations. Further analysis was considered necessary, indicating that the party was still undecided. In preparation for the SAP and LO congresses in 1981 a new committee was established, which came up with another set of proposals (LO/SAP, 1981). It was emphasized that wage-earner funds should have two goals: to develop wage-earners’ influence and economic democracy and to create positive conditions for policies of economic growth and full employment. The funds would be financed in two ways: sharing of excess profits and an increase in pension contributions.

All listed companies, irrespective of size, were to be included. The wage-earner funds would be allowed to buy all kinds of shares. As shares generate dividends, the funds would also be liable to contribute to the pension system and in that way obtain a wider role in society. The voting rights that come with shareholding were to be divided between the buying fund and the employees in the company in which the shares were acquired. Concerning management of the funds the committee hesitated between two different models. Both the SAP and the LO congresses endorsed the committee’s report. For the first time the two branches of the labour movement had agreed on wage-earner funds, but consensus was not achieved once and for all.

The Social Democrats lost the election again in 1979 but came back into office in 1982. Based on the above-mentioned report but after some further investigation – again, to be seen as an expression of doubt – a government bill was worked out on wage-earner funds, which was adopted by the parliament in 1983. Wage-earner funds would be part of the general pension system and get their money in two ways: profit-sharing and higher pension contributions. Annually, 20 per cent of the profits – above a certain level – would be allocated to funds. This meant that basically all smaller enterprises were exempted. Within the framework of the pension system, five wage-earner funds were established. Each year a return of 3 per cent on the managed capital had to be transferred to
the pension system. The boards of the funds would have nine members appointed by the government. Five of the members would represent wage-earners. The wage-earner funds could buy shares in the market and half of the voting rights associated with shareholding could accrue to local unions, if they so wished. Some new important restrictions were also introduced. The wage-earner funds would get no more money after 1990 but then only manage what was already there. Moreover, they must not grow beyond 7 per cent of the total value of all listed shares. Yet another restriction was that each of the funds would not be allowed to exceed 8 per cent of the voting rights in a company. The five wage-earner funds could hence have no more than 40 per cent of the shares in a company.

It is obvious that there are major differences between the early wage-earner fund proposals and the final parliamentary decision. The government made it clear that the reform would not, to any significant degree, change the power relations in the Swedish economy. By restricting the time during which the funds could be replenished and by putting a ceiling on shareholdings and voting rights, the system could obtain only a minor ownership role. Another important aspect was that the fund boards would not be elected by wage earners but appointed by the government, even though a majority of board members would represent employees. The initially fairly extensive plans had shrunk considerably. It should be noted that the fund system’s assets amounted to about SEK 14.4bn by the end of 1991 (last year of the system) or 2.6 per cent of the total stock market value (Sundqvist, 1992: 9–10).

In 1991 political power shifted once again in Sweden. Four centre-right parties obtained a majority of the votes in the election and were able to form a coalition to replace the Social Democratic government. One of the new government’s first moves was to abandon the wage-earner funds, using the money for other purposes. The experiment with economic democracy in Sweden was over.

Why did the Swedish wage-earner funds fail?

The most obvious reason why the Swedish wage-earner funds were discarded is that they met with heavy resistance from various actors outside the labour movement. Employers’ associations and other business organizations vigorously opposed the reform. The political parties to the right of social democracy became progressively more negative. In the early phase of the debate there was some prospect that above all the Liberals would be interested in collaborating on the issue of wage-earner funds. An important dividing line was that, in general, the non-socialist parties favoured a model allowing individual share ownership. The second largest peak-level trade union TCO – organizing white-collar workers – was initially positive towards wage-earner funds, but many members were sceptical and over time this dampened the organization’s enthusiasm for the reform. The third main trade union, Saco (professionals), was more hesitant throughout.

It was probably a tactical mistake by the LO congress in 1976 not to put a size limit on companies to be included in the wage-earner fund scheme. This omission created uncertainty, not least among many small entrepreneurs, who felt under threat. They perceived wage-earner funds as heralding socialism and the end of the free enterprise system. The alleged consequences for small business owners also vexed wider segments of the population. There was continuing tension in the labour movement too. The wage-earner fund proposal was initiated by LO, but as soon as SAP entered seriously into discussions the power dimension was toned down and the need for investment capital was emphasized instead. Due to its role in economic development in Sweden, we may think of LO as an ‘encompassing organization’ (Hollingsworth, 1982; Hollingsworth and Hanne-man, 1982; see also van den Berg et al., 1997: 240). This refers to a type of association focused on
wider societal demands rather than on its members’ specific demands. In the present case, however, LO appeared to be rather an organization representing a separate interest. It was instead SAP that was most eager to avoid antagonizing people outside the labour movement.

The decision by the LO congress to keep the question of company size open strengthened the anti-fund resistance in broad layers of the population – big business, small business owners and others – who organized to prevent the proposal from being passed. In October 1983 a huge demonstration with tens of thousands of protesters took place in Stockholm. Lots of people were brought to Stockholm by buses paid for by business interests, but there is no doubt that the negative public opinion went far beyond business circles. According to opinion polls, during the whole period 1973–1985 a majority of the population preferred individual ownership to trade union ownership if employees were to have a larger equity stake in companies (George, 1993: 481–483). The proportion of people who considered that the unions were too powerful was also higher than the proportion thinking that unions had too little power and during the critical years this gap expanded.

The closure of the wage-earner funds was not preceded by any evaluation of their performance. It was simply a political-ideological decision aimed at making clear, once and for all, that there would be no socialist experiment of that sort in Sweden. Later some independent researchers tried to evaluate what the wage-earner funds actually achieved during the short period they existed (for example, Pontusson and Kuruvilla, 1992; Whyman, 2006, 2007). With regard to economic performance it seems that the results were relatively positive. In fact, the wage-earner funds became an integral part of the Swedish economy and could hardly be accused of hampering the functioning of the market. The returns on invested capital were slightly higher than the market average and the pension contributions were largely made in accordance with requirements.

However, it appears that wage-earner funds were ‘far less successful’ with regard to democratization than with regard to economic performance (Whyman, 2007: 252). They seemed to concentrate more on economic indicators than on the goal of increasing employee influence through share ownership. One consideration is the problem of shares with differential voting power. The wage-earner funds did not focus on maximizing voting rights in acquiring shares and there was little attempt to coordinate the different funds for that purpose. Another way of assessing the wage-earner funds’ contribution to wage-earner influence might be to compare them with what had already been achieved through the labour laws enacted in the 1970s, such as the Co-determination Act (Pontusson and Kuruvilla, 1992: 790). The conclusion in that case is that very little more had been accomplished.

It is unlikely that wage-earner funds will stage a comeback in Sweden, at least in the foreseeable future. Such a reform is very remote from the agenda of all the significant political parties and trade unions. The opposition was perhaps stronger than the labour movement expected and a renewed attempt with wage-earner funds might lead to even more serious defeats. If anything, the situation today is even less favourable. Globalization has advanced much further and capital is more mobile, which would make it more difficult to impose the same or a similar type of reform.

The abandoning of wage-earner funds had an extremely adverse effect on the Swedish Social Democrats’ attraction to leftist politics and today the party never talks about ways of promoting economic democracy. That is not to say that the issue has become less relevant. Wealth concentration and increasing social inequality have become entrenched, a process in which capital ownership is playing a major role. Assets are concentrated in a tiny class of super-rich owners and CEOs of large companies. Although large segments of the Swedish population save money in shares and mutual funds, most of them have no or little influence over how companies are governed. There is no reason why the less propertied classes should be excluded from having a say over investments and business activities. To do something about this exclusion requires more than
encouraging people individually to become shareholders; it entails solutions that are collective in nature.

In terms of future approaches to creating economic democracy several aspects need to be thought through. The point of departure for my concluding discussion is that economic democracy might take a few steps forward with the establishment of some kind of collective fund – I prefer this term rather than wage-earner funds to avoid restricting myself to a specific model – aimed at buying shares in the stock market or providing loans for investments. I will not go into other conceivable measures, such as nationalization of companies or worker-controlled enterprises. It should be noted that in a recent report commissioned by LO, Richard Freeman (2015) argued in favour of workers’ ownership and profit-sharing or what he calls ‘21st century shared capitalism’. In contrast to the Swedish wage-earner fund system, with its external funds, workers would become owners of the firm at which they are employed. A key argument for Freeman’s programme is that it might be attractive also for business, because one of its key features is tax incentives for both firms’ and workers’ participation. Moreover, workers would have an interest in boosting their company’s performance. Freeman recognizes some risks with his proposal, but believes they are not particularly great and can be overcome. The model definitely deserves closer attention, but that is beyond the scope of the present article. Here I will concentrate only on collective funds outside the individual firm as a way of reducing concentration of economic power and increasing democratic influence in the economy.

Issues to be solved in relation to collective funds

Several questions must be approached carefully if a system with collective funds is to be implemented successfully. The following is far from a full proposal, but just a few remarks on some of the vital issues to consider. There are many more aspects to take into account, for example the ways in which collective funds could play a role in furnishing additional capital for investment. My starting point is merely that the funds would operate within the framework of the market economy without being a threat to its overall functioning. This acceptance of the prevailing system is not to deny that we may need a corrective when the market does not work well; we cannot simply assume that the latter always generates the best for all. At the same time, it must be admitted that decisions made by democratically elected fund boards can be misguided; as always with democracy, there is no guarantee of ideal decisions.

One general postulate is that any reform regarding collective funds must be simple. There are of course many technicalities that have to be solved, but the fewer they are the easier it is to implement a fund system. It is not my ambition to provide answers to various technical issues or details in the design of a reform but only to look at two overriding topics. The first of these topics concerns how to collect money for the funds and the second is how to govern them. Both problems will be discussed in light of the Swedish wage-earner fund experience.

How can the funds be financed?

One crucial question concerns how capital can be acquired for collective funds. When the Swedish wage-earner funds were introduced, capital was based nationally to a much larger extent. With globalization this situation has changed dramatically. Swedish-owned groups with subsidiaries abroad used to have more employees in Sweden than abroad, but from the late 20th century it is the other way around (ITPS, 2014a: 9–10). In 2012 these companies had about twice as many employees in other countries as in Sweden. There are some problems with the statistics due to acquisitions and
sales, but it cannot be doubted that the current situation is very different from that of the early 1980s. Examining the issue from the opposite side, we find that foreign-owned companies in Sweden have grown substantially in recent years (ITPS, 2014b: 9). In 1980 they had just a little more than 5 per cent of all employees in business, but since the beginning of the new millennium this figure has been more than 20 per cent, despite a slight decrease in 2012 and 2013.

Numbers and proportions of employees represent only one way of illustrating the process of globalization. There are other aspects as well, but without going into a deeper analysis we can conclude that globalization has had a huge impact on the Swedish economy and this also goes for other countries integrated in the system of world capitalism. Economies are generally much less national than they used to be. The implication of the process of globalization is that the opportunities for individual countries to tax corporate profits have been significantly narrowed. As larger companies more frequently operate in many countries, it is easier for them to avoid reporting earnings in countries with higher taxes. Instead, they can ensure that their gains appear where fiscal policies are more advantageous. In addition, capital has become increasingly mobile and companies may refrain from investing in countries with taxation for collective funds.

In other words, today it is much more complicated to build up collective funds by means of profit-related taxes. If, as a consequence, we refrain from such financing, the aim of managing excess returns – associated with the Swedish solidaristic wage policy – cannot be achieved. This goal played a fundamental role in the proposals on Swedish wage-earner funds, but now it seems that other measures must be taken to tackle the problem of disproportionate profits. We have to accept that all targets cannot be attained and the centre of attention is here economic democracy. In countries with other wage policies, the issue may be irrelevant.

It is thus necessary to find other solutions to provide for collective funds. As far as I can see, there are primarily two realistic options. One is employer contributions based on wages – that is, a payroll tax. This solution is no doubt also likely to be regarded negatively by companies, but it is more difficult to avoid than profit-related taxation. To make it easier to agree to, the tax rate could be very low and smaller firms might be exempted. In the long run it would still be an efficient way to collect money because there is no need to set a time limit, as was done for the Swedish wage-earner funds. The other option is an income tax. This can also be low, because in this case, too, collective assets would eventually be substantial, given that no time limit is established. Both methods for growing funds – employers’ payroll taxes and income taxes – imply slow and incremental changes. It would also be wise to make the funds part of the pension system, as was done with the Swedish wage-earner funds. The pension system is evidently a matter of collective savings and involves democratic control via parliament. Nonetheless, it is insufficient if we also want to include an element of more straightforward wage-earner influence. This takes us to the second question: that of the management of the funds.

**How should the funds be governed?**

A basic idea behind the original wage-earner fund proposal in Sweden was that the funds would be controlled by the trade unions. It was conceived as a two-tier model in which control could be exercised both locally and centrally. The final parliamentary decision was that the boards of the five funds would be appointed by the government, although the trade unions could nominate people to them. Moreover, it allowed local trade unions – if they so requested – to obtain 50 per cent of the voting rights acquired in a company.

There is a particular problem associated with letting trade unions take control of collective funds. In principle, trade unions are organizations aimed at obtaining the most favourable possible
outcomes for their members or for workers in general vis-à-vis employers. They are not owners but counterparties to owners; they negotiate with companies, or employers’ associations, to achieve the best outcome in terms of wages and other employment and working conditions. Hence, to take an ownership role means for them to serve two purposes at the same time. It should be obvious that this may create complications. If trade unions also become owners, they may compromise their role as advocates of employees’ interests. This was not considered a major difficulty in the early Swedish discussion on wage-earner funds and the same goes for Freeman’s 21st century shared capitalism. I believe the dilemma is manageable, but we should not neglect that tricky situations may arise.

Another union-related aspect if we want to increase the influence of wage earners is the question of legitimacy. Trade unions are significant actors in the industrial relations system in Sweden, apart from anything else because the proportion of organized workers is very high. Due to this, there is a reasonable basis for claiming legitimate power. However, as mentioned previously, even in Sweden the legitimacy of union officials in relation to wage-earner funds was questioned (George, 1993: 481–483). In many European countries, trade union membership is much smaller and as a result we can expect considerably greater difficulties for them in seeking acceptance as representatives of all employees. Under such circumstances it is harder to argue that increased trade union influence through ownership of funds can be equated with increased wage-earner influence.

An essential purpose of the Swedish wage-earner funds was that wage earners should get more influence over the economy in general but also over the company at which they work. To let wage earners elect the members of the fund boards is of course an option, although it may be problematic to identify who should be allowed to vote. In the Swedish debate it was suggested that all those who earned pension points during a given year would have the right to vote, but in this way large parts of the population would be excluded from influence: students, retirees and others. Another possibility is instead to let the voting list be the same as in ordinary elections (see Korpi, 1982: 63–72). This would mean economic democracy for all and sundry.

On the other hand, this alternative does not satisfy the objective of giving employees more influence in their own workplace, an important vision in connection with the Swedish wage-earner funds. It is also from the Swedish experience that we can derive a handy method of dealing with the issue. When collective funds purchase a certain amount of shares in a company (a minimum may need to be specified), part of the voting rights associated with these shares can be passed to the company’s employees, who can decide how to exert their power. Accordingly, a balance between wage earners and the population as a whole – and between central and local democratic demands – can be achieved. Trade unions may surely end up wearing two hats, which would put pressure on them to find an appropriate balance. This should not be an unsolvable task, however.

As already suggested, it would be appropriate to make the collective funds part of the pension system. In relation to this solution there should be a requirement that some percentage of the returns be transferred to the pension funds. Such a requirement is important, because it can help to ensure that the capital is used to provide adequate yields. Whether the yield level should be 3 per cent – as for the Swedish wage-earner funds – or any other rate is a technical issue outside the scope of the present article.

Final words
Capitalism is the dominant economic system in the contemporary world. The distribution of the means of production and the surplus generated is extremely uneven. A tiny group of owners and managers have acquired enormous assets and wield immense power over the production of goods
and services as well as political power, whereas millions and millions of people are extremely poor and hardly have any influence at all. Poverty has undoubtedly diminished in recent decades, but the social and economic gaps remain or even grow. The huge assets controlled by a few are not simply the result of their own efforts, but are based on other people’s work, both directly and through the infrastructure provided by society. There is no justification whatsoever for the affluence and power of a tiny minority.

In order to turn the trend in another direction, it is reasonable to begin in the political democracies in the economically advanced world. If we adhere to the ideal of equality between human beings or at least to the ideal of equal chances for all there are good reasons for starting to think about counteracting the concentration of capital in the hands of an exclusive group and about making the existing economic system more democratic. Decisions over investments and production activities are of course matters that concern the population as a whole. Against this background, democratically governed collective funds might be a small leap forward for mankind.

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