

# THE NEW SWEDEN

A VINDICATION OF DEMOCRACY

*by*

BJARNE BRAATOY



THOMAS NELSON AND SONS LTD

LONDON EDINBURGH PARIS MELBOURNE

TORONTO AND NEW YORK

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## THE NEW SWEDEN

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# THE NEW SWEDEN

## CHAPTER I

### THE NEW DEAL IN SWEDEN

SEEN from the perspective of 1938 the world economic crisis did not inflict upon Sweden conditions which would call for a new deal in the management of the country. Public consciousness certainly has no memory of a state of affairs comparable to that of countries like Great Britain, France, Germany, or the United States of America. On the other hand, the means of ascertaining the actual conditions during the years following 1929 were, at the time, inadequate. They were mostly provided later by the sponsors of the new deal. Economists, administrative officials, and politicians were harnessed to the task of analysing the Swedish economy before and during the crisis, so that to-day there exists a number of authoritative reports which afford an abundant and verifiable record of all phases and aspects of business, production, and social life during those critical years.

The economic blizzard did not strike Sweden with uniform force all along the line. The time-lag



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was different for different sections of the community. Exporters were hit before importers, export industries differently from home industries, farmers in a more serious way than city-dwellers, and the nation's finances on a scale which differed from that of the financiers. To some sections the crisis was only a passing phase. The public authorities had received an early warning that the barometers of economic life were pointing to a change of weather. The income available for taxation went down from an estimated total of 6,226.5 million kronor in 1931 to 5,802.7 millions in 1932. The latter amount was further reduced to 5,239.9 millions, a total decrease in one year of 986.6 million kronor.

At the same time the farmers were getting what would be due to them from a major economic crisis. The number of bankruptcies and forced sales of farming property reached its peak in 1932 (876 and 1,018 respectively). A reliable estimate gives 100,000 as the possible number if no steps had been taken by the State.

But registered unemployment did not reach its peak till March 1933—186,561, the highest figure ever recorded in Sweden. Even then it is not certain that it proves all that it says. It is generally agreed that registration had been stimulated by the growth of the crisis. Sections of the working-class community that would normally try to weather a spate of unemployment without registering now applied to the State Unemployment Commission

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for relief. However that may be, the growth of unemployment, according to the statistics of this Commission, were supported by the returns from the Labour Exchanges.

The unemployment returns of the trade unions seem to tell a slightly different tale. During the years following 1929 the percentage of unemployed among the organized workers fell short of the peak figure in the employment crisis ten years before (January 1922 : 34.3 per cent. ; January 1933 : 28.8 per cent.). As trade union membership had been going up by leaps and bounds since the World War and has continued to do so (1921 : 389,793 ; 1931 : 645,829 ; 1937 : 840,254), an increase in the percentage of unemployed trade unionists does not necessarily mean an increase in unemployment.

On the other hand, none of these figures show the burden of unemployment on the individual. Special investigations have revealed a serious percentage of long-term unemployment. Above all, the returns for February 1933 showed that about 33 per cent. of the unemployed were between the ages of fifteen and twenty-five. There were 15,000 unemployed land workers. However much one might like to qualify the incidence of the economic crisis in Sweden, the individual experience behind figures such as these would percolate through the nation and create a feeling of distressing conditions. The net effect was that of a major crisis.

The main disturbing factor was the outside world.

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The collapse of post-War prosperity in the United States, the effects of the Wall Street crash and American retrenchment on German economic life, the re-emergence of Hitler in the September elections 1930 and Britain's renunciation of the gold standard a year later could not but impress Sweden, even if the economic consequences were offset by Sweden following the British example.

Even then the temperature of the people need not have risen to critical heights, had there not occurred a disaster to the symbol of Swedish prosperity. The great industrial and financial house of Kreuger and Toll collapsed in March 1932. This firm had made post-War Sweden into a world centre of finance. Kreuger had restored to a large section of the Swedish people the feeling that Sweden counted in world politics—just as Sweden had counted in that romantic past when her victorious armies had swept down into central Europe.

But although the Kreuger crash was accompanied by the failure of one of Sweden's largest banks, the effects on her internal economy were qualified. The temperature of the people may have risen, but the Kreuger methods of distributing both assets and liabilities abroad helped to discount the effects of the crash for Sweden. This crash happened to coincide, however, with proposals for a new departure in Swedish politics. In that same month of March the Swedish Parliament was confronted with a far-reaching plan to alleviate the crisis for the distressed

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sections of the population ; “ the unemployed workers, and the poverty-stricken farmers, threatened with bankruptcy.” This plan constituted the beginnings of Sweden’s new deal.

In itself the plan was limited strictly to that one objective. Work was to be provided for the unemployed. Money was to be provided so that farmers would not have to leave their land in order to satisfy their creditors.

But the plan called for supplies from public funds. This naturally conflicted with the interests of the Treasury, particularly at a time of falling revenue. It ran counter to the principles of the budget submitted to Parliament some two months before, and to instructions laid down in a circular letter to the municipalities sent out by the Minister of Finance on 31st October, the year before. It was a challenge to the ruling of a policy of strict economy. By implication the plan, therefore, went far beyond its practical objective. It put the crisis on the political map of Sweden.

This crowning effect was not necessarily due to either the purpose or to the contents of the plan. Its impact on the public conscience was quite as much due to the campaign of criticism which followed. It was described as economic folly. Acceptance would spell economic ruin for Sweden. Never had such sums been suggested for the relief of unemployment. They were put forward in a spirit of sheer electioneering.

Sweden had at that time a Liberal Government in a minority position. In the main it sought, and found, support from the Conservative and the Farmers' Parties. The new departure was proposed by the dominating opposition party, the Social-Democratic Labour Party. The allegation of electioneering motives was therefore not far-fetched, although the parliamentary session had another four months to go, and the general elections were some seven months off.

Unfortunately for the authors of these allegations the Social-Democrats were, at that particular moment, in a position to prove that they placed the public interest above the Party interest. The collapse of the Kreuger Bank raised the question of support from the State. The Leader of the Party admitted the temptation "to let private initiative really experience its own helplessness and weakness in a tough situation." But the overruling consideration must be, he said, "the fate of many thousands of innocent victims and the effects of the consequent disturbance in industry."

But the main argument against the electioneering allegation emerges from the Social-Democratic "crisis policy" itself. The amount of money involved was less than the Social Democrats had themselves put forward and carried to combat the unemployment crisis when in office in 1922. The proposed increase in taxes would still fall beneath that of 1922. In addition, the proposals were cast

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in a mould which was not encouraging from a demagogic point of view. The necessary draft money resolutions, bills, and decrees were supported by a voluminous report, written in the form of a Blue Book rather than of a propaganda document. It was formulated so as to carry conviction in the Swedish Parliament as then constituted. The Social-Democratic Party had, in other words, trimmed its sails to the parliamentary winds and not the winds of popular agitation. Nor were the proposals demagogic in conception. They were not intended to express any general political theory. They did not appeal to any particular bias. They were expressly conceived only to settle one specific problem in its most concrete aspects, namely, the alleviation of the crisis for the most distressed sections of the Swedish people.

The Social-Democratic estimate of the parliamentary situation proved correct. Concessions were made, either by the Government or by a majority in Parliament, on practically every major point of the Social-Democratic proposals, which had meanwhile been issued in book form. The public was therefore in a position to follow their fate step by step. The most important admission was the acceptance of the principle of public works at market wages. The Government won the day on their own proposal of 3 million kronor, whereas the Social Democrats proposed 30 millions. The allocation to relief works under the special conditions of the

State Unemployment Commission was, on the other hand, increased beyond the 20 millions proposed by the Social Democrats to 25 millions. This roundabout concession was vitiated by the rejection of the Social-Democratic proposal for the gradual liquidation of this particular employment scheme. But an increased allocation for road-building was gained. The Social Democrats had proposed 9 millions. Their proposal for the purchase of stone from the quarrying districts was also, in the main, accepted, as was their proposal for forest preservation works and loans for municipal road-building (5 millions each). Parliament also approved a series of preparatory investigations into the exploitation of Sweden's iron resources, forestry products, and stone industry, proposed as part of the Social-Democratic crisis policy. On the agricultural side preparatory investigations proposed into possible reductions in production costs and in the debt burden of farmland were accepted, as well as an instalment of 15 millions on the 24 millions proposed by the Social Democrats for loans to aid smallholders and farmers in special difficulties.

But the main point of the Social-Democratic crisis policy was lost. To cover a total expenditure, which they had estimated at 98 million kronor, they proposed to raise 20 millions by loans, 20 millions from the sinking fund, 17 millions by reductions in the defence estimates and, above all, to increase direct taxation. These proposals were in too patent

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contradiction to the economy policy, which proved to dominate the conceptions of the parties in the majority.

The inner contradictions of the latter policy were pointed out to the Government majority when the Swedish Parliament was asked to provide credits to the tune of 255 million kronor in order to save the Kreuger Bank. The political implications did not appear in full force till the election campaign got under way in the early autumn.

The core of this campaign was the crisis policy of the Social-Democratic Party. In the forefront of the Social-Democratic appeal stood their concern about conditions on the land. In a country where some 39 per cent. of the population were still engaged in agriculture, the menace to the established interests was accordingly felt to be on the agricultural front.

This crucial fact was brought out clearly in the result of the general elections on September 17 and 18, 1932. The Social Democrats increased their poll by 19 per cent. At the same time the Farmers' Party increased their total vote by 33 per cent. Except for the Communists, insignificant in themselves, all other parties either lost seats or remained stationary. As the Social-Democratic Party was much the larger party (104 seats), they and not the Farmers' Party (36 seats) were called upon to form the new government, but as they were still in a minority in Parliament they would have to look somewhere for support.



The outline of the new deal for Sweden was thus clearly indicated. On the one hand, the Social Democrats stood by the main conceptions of the crisis policy which they had tried to carry in the preceding Parliament. On the other hand, they naturally looked for support from the political organization of the farmers.

The Blue Book of the Social-Democratic policy was necessarily out of date when the Social Democrats took office. Parliament was not to assemble till January 1933. In the meantime, therefore, the new Minister of the Interior (Social Affairs), Mr. Gustav Möller, set up a commission to survey the work schemes which public and semi-public bodies could put into immediate execution. This commission made a preliminary report on 3rd December. Public works at a total cost of 190 million kronor could be undertaken as soon as the money was ready. Provisional plans for execution at a later date were included, entailing a total cost of 320 millions. Under these two headings alone some 3,200 individual undertakings had been surveyed with detailed information on their nature and the expense involved. In addition, the report summarized possible undertakings which had not yet reached the stage when the financial outlay could be reliably estimated.

This step has set the pace and method of the dominating line of action in Swedish policy ever since. The King's Speech at the opening of Parlia-