



POLITICS AGAINST PESSIMISM

social democratic possibilities since Ernst Wigforss

Winton Higgins & Geoff Dow



Peter Lang

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Neoliberalism has now failed, so can a social democratic resurgence replace it?

This book retrieves the political thought of Swedish politician Ernst Wigforss to explore the unrealised potential of social democracy. Wigforss drew on many schools of thought to produce an alternative social democratic strategy.

It outflanked economic liberalism, allowed his party to dominate Swedish politics for a half-century, and his country to achieve affluence and social equity as converging rather than competing objectives.

OECD economies have since evolved political capacities – the welfare state, corporatist regulation, expanded citizen entitlements, civic amenity – far in excess of pessimistic evaluations offered by mainstream analyses. This book suggests that such developments confirm Wigforss's ideas, confounding conventional pessimism.

Full employment, social equity, economic democracy, new political institutions, and transformative economic management are now more imaginable than ever in western countries. But their achievement depends on a radical reformist political mobilisation of the kind that Wigforss inspired, one which integrates these aspirations as mutually reinforcing goals.

This book presents valuable information about Ernst Wigforss and the theoretical development of Swedish social democracy in the context of broader western trends and their diverse scholarly analyses.

Lennart Erixon, Stockholm University, Department of Economics

The book is an important intervention into social democratic strategic thinking. It presents the political and economic aspirations of social democracy as long anticipated in heterodox political economy.

Frank Stilwell, University of Sydney, Department of Political Economy

Winton Higgins and Geoff Dow have each taught political science and political economy courses for many years- Higgins at Macquarie University (but now a visiting fellow at UTS); and Dow at The University of Queensland. Winton Higgins is a graduate in arts, law and politics from Sydney, Stockholm and London universities.

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For Lena and Jane

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Contents

List of figures and tables	11
Introduction	15
1. The struggle over market society: from economic liberalism to the defence of politics	35
2. Industrial society and social democratic politics: political organisation in Sweden	55
3. Wigforss's democratic commitment: repositioning socialist politics	69
4. The democratisation and politicisation of capitalism: from British collectivist liberalism to Swedish social democracy in the 1920s	99
5. Statecraft, employment and welfare in the 1930s and 1940s	139
6. Citizenship and the social question in the postwar period	187
7. Union organisation as the bearer of substantive rationality	225
8. Comparative evolution of social democratic possibilities	277
9. The responsibilities of labour in social democratic politics	343
10. The state and deliberation: on the economic possibilities of politics	383
Conclusion	431
Bibliography	435
Index	463

List of figures and tables

Chapter 7

Table 7.1	Labour force participation rates compared	256
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Chapter 8

Figure 8.1	The expanding possibilities of politics (Growth of government)	279
Figure 8.2	The expanding politicisation of consumption (Growth of social transfers)	281
Figure 8.3	Public sector spending 1960–2010	284
Figure 8.4	Taxation receipts 1960–2010	285
Figure 8.5	Budget balances (surpluses and deficits) 1970s–2000s	290
Figure 8.6	Unemployment 1960–2010	298
Figure 8.7	OECD inflation 1970–2010	305
Figure 8.8	The stagflation period (unemployment and inflation)	308
Figure 8.9	Politics and markets in ‘hard times’	312
Figure 8.10	Politics and markets in the ‘recovery’ years	314
Figure 8.11	Employment in industry 1970–2000	318
Figure 8.12	Manufacturing since 1870	323
Figure 8.13	Changing importance of trade since the 1960s	330

Table 8.1	Size of government 2010–2011	286
Table 8.2	Growth of government since 1974	287
Table 8.3	Social security transfers 1970s–2000s	289
Table 8.4	Budget surpluses and deficits 2000s	292
Table 8.5	Public debt 2010–2011	293
Table 8.6	The ‘wealth’ of nations 2010	295
Table 8.7	Differential indicators of ‘wealth’ and wellbeing in rich countries	296
Table 8.8	Unemployment in OECD countries 1970s–2000s ..	297
Table 8.9	Unemployment in ‘good times’	300
Table 8.10	Unemployment, employment and growth in ‘hard times’	303
Table 8.11	GDP growth 1970s–2000s	304
Table 8.12	Inflation (CPI increases)	308
Table 8.13	Income inequality 1960s–2000s	316
Table 8.14	Manufacturing decline	317
Table 8.15	Employment in industry, manufacturing	319
Table 8.16	Industrial employment	320
Table 8.17	Industry policy in OECD countries	324
Table 8.18	Public sector investment 2005	326
Table 8.19	Trade 2005	327
Table 8.20	Increases in trade in the 2000s	329
Table 8.21	Current account balances 2001–2010	331
Table 8.22	External debt (public plus private)	332

Chapter 9

Figure 9.1	Labour, capital and politics	351
Figure 9.2	Possibilities of politics in marxism	353
Figure 9.3	Kalecki's marxian keynesianism	356
Figure 9.4	Labour's state-building responsibilities	378
Table 9.1	The 'precariat'	358
Table 9.2	Labour's organisational capacities	371
Table 9.3	Actual average hours worked	377

Chapter 10

Figure 10.1	The capitalist state and the market economy: the debate	394
Figure 10.2	Parallel political concerns of Wigforss and Keynes ...	423
Figure 10.3	The social democratic purpose: reconciliations	424

Introduction

In the final analysis, conceptions of self, reason and society and visions of ethics and politics are inseparable.

Seyla Benhabib

As a socio-economic system, capitalism delivers progress at the expense of economic dislocation, social insecurity and tangible deprivation. It has thus also summoned forth collectivist and leftist political movements that set out to ameliorate these disorders. Throughout the capitalist era, the conflict between the system's economic-liberal promoters on the one hand, and on the other those who seek to impose social and moral priorities on it, has accounted for the main cleavage in western political life. Among other things, that conflict has moulded the mixed economies of the post-war era. As with other widespread conflicts, their course has never been predetermined; it always depends on historically unique starting points in different countries, and on each side's ability to achieve programmatic clarity, to creatively exploit possibilities, and to crystallise its gains in new institutions. Hence each national mixed economy manifests in distinctive ways. But international impulses regulate the terms on which the conflict itself plays out.

From the mid-1970s, neoliberalism – a new, allegedly necessary, rendering of perennial economic liberalism – came to dominate western political life, starting in Australia, the UK and the USA. This more virulent recension of the old economic-liberal creed sought once again to impose a utopian and unfettered capitalism, now on a global scale, with minimal regulation and punitive welfare provisions, and maximal monetisation and marketisation of the mechanisms that allocate resources and rewards, and that frame social relationships as a whole. Neoliberal parties successfully attacked their collectivist opponents when the latter were struggling to activate alternative policy solutions to the stagflation of the 1970s. So the collectivists, whether governments, parties, labour movements or intellectuals, soon lost confidence in their own programmatic creativity beyond what had already been achieved. So began the 'crisis of the left' (also known

as the ‘crisis of socialism’) which continues today, in spite of the abrupt fall from grace of neoliberalism itself in the global financial crisis that began in 2008.

The quest for an unfettered capitalism has now once again demonstrated both its moral and economic bankruptcy, and the time is ripe for a resurgence of left politics. And yet the crisis of the left continues, not least as a programmatic vacuum predicated on an ignorance of the left’s own history. As with individuals, so with significant political movements: to have a future, one must first have a past.

This book seeks to start filling that vacuum, not least by uncovering and mining a valuable deposit of theoretical and programmatic ideas that drove what we will argue is the left’s most formidable achievement in the west during the twentieth century – the social-democratic breakthrough and consolidation in Sweden. We argue that these ideas, suitably adapted and updated, can inform a social democratic revival in the current period and in virtually any western country. They are available to any political force – be it an electoral party, coalition or a union movement – which is prepared to grow into them. Indeed, this argument motivates our entire project.

In looking at the Swedish precedent we will focus on the theory and practice of Ernst Wigforss (1881–1977), by common consent the architect of the process that left his party the most successful electoral organisation in western democratic history, and his country in a league of its own in its distinctly non-economic-liberal combination of economic efficiency and social equity. Economic liberalism places these two values in an antagonistic relationship, such that one must be bought at the expense of the other. In contrast, Wigforss demonstrated a politics that married equity to efficiency, thus redefining progress.

We will argue that Wigforss’s legacy provides contemporary guidance for a resilient left alternative to the now discredited neoliberal policy nostrums. In doing so, we highlight three aspects of his work. First, he was economic liberalism’s most dangerous foe: his magisterial critique and his effective political marginalisation of this ideology provides a starting point for an equally pointed critique of neoliberalism that today’s left has yet to reclaim. Second, he demonstrated how programmatic clarity can be distilled from this critique, how a substantive left programme can mobilise

mass support in a democratic polity, and how it can consolidate a stable majoritarian support base to underpin the achievement of longer-term goals. We hardly need to labour the point that left and centre-left politics in the twenty-first century appears bereft of programmatic starting points, and it needs role models like Wigforss more than ever. Third, Wigforss brushed aside economic-liberal notions of the minimal or market-affirming state in favour of developing a strong, institutionally creative state as an effective instrument of the democratic will, not least when that will sought ambitiously equitable and decent policy outcomes. Like Machiavelli, Wigforss saw politics not simply as the art of the possible, but as the art of possibilities. He sets a counter-precedent for those parties of the left and centre which have resigned themselves to today's rule of pollsters, lobbyists and focus groups, and their reduction of electoral contests to trivialised and visionless 'races to the bottom'.

Ernst Wigforss

Ernst Wigforss, Per Albin Hansson and Gustav Möller dominated Swedish social democracy's second generation leadership from the mid-1920s. Wigforss was briefly Sweden's treasurer in the 1920s, and for nearly 17 years from 1932. By popular consent he is the leading theoretician of his party, itself founded in 1889. We will further claim that the Swedish social democratic labour movement's unique success in a western democratic polity arises from the statecraft embedded in Wigforss's thought.

Wigforss's theory and practice are highly original and historically important, and making good the neglect of his work is in itself a worthwhile undertaking. But even more compelling reasons commend his ideas as a departure point in exploring the problems of radical politics, even in advanced capitalism today. The first concerns Wigforss's sheer political effectiveness. He played the leading role in social democracy's historic breakthrough in Sweden in 1932, and as treasurer was a driving force in the vital years in which that country emerged as the 'model' for the progressive transformation of social relationships and institutions in western countries. Second, Wigforss was an intellectual turned statesman who, true to

his original work habits, hammered out his politics in writing. In doing so he continually returned to first principles. He 'changed the world' in accordance with Marx's eleventh thesis on Feuerbach, but also left behind a theoretical oeuvre that illuminated his policy orientations. While several socialist figures have modelled a relationship between theory and practice, Wigforss is arguably alone in creating a distinctive socialist statecraft. In particular, he took the measure of economic liberalism and challenged it most effectively, in both theory and practice.

A third reason for choosing Wigforss as a companion in this exploration is that he exhibits so many counterfactual elements. His opponents and rivals variously accused him of being either an unworldly dogmatist out of touch with reality, or a cunning political operator without principles. Put together they bear witness to Wigforss's peculiar combination of intellectual robustness and tactical flair. His politics also reveals a striking consistency throughout a long career, yet he mixed and matched without inhibition elements from the mutually hostile camps of marxism, utopian socialism, syndicalism and collectivist liberalism. While his political inclinations collided with mainstream economic orthodoxy, in the end it is the former, rather than the latter, that have earned endorsement from subsequent developments in capitalism. Like a good sailor, he set a straight course while remaining receptive to every intellectual wind that blew his way. He was a voracious reader, and few international debates – from economic theory to literary criticism – escaped his published comment.

Above all, Wigforss fashioned a flagship modern development – Swedish social democracy – without ceasing to enter deep reservations about the enterprise of modernity itself. At bottom his quest was an ethical one that probed the moral failure of all major political expressions of the modernist enterprise. Hence the paradoxes he presented, of a highly effective politician who never settled into a political career for its own sake, and of a socialist who listened to modernity's conservative critics.

On his death in 1977, the valedictories underscored the futuristic nature of his prescriptions for reform, above all in industrial and economic democratisation. He had initiated so much, it was said, but so much remained to be done because the organs of the labour movement were still 'catching up' with his thought. This is still true. But there is a broader reason for returning to Wigforss now. It concerns today's multifaceted

questioning of modernity as an historically bounded phase in the development of western civilisation, a questioning that constitutes an important dimension of the crisis of socialism. Is socialism simply another expression of a now outmoded and increasingly malign set of assumptions about rationality and progress? Have socialists in general long remained silent about the fundamental aspirations of their project, not because these are now beyond question, but because they would not survive the scepticism of a new generation that (in rhetoric at least) rejects their modernist presuppositions? The counterfactual Ernst Wigforss, who assiduously returned to the aspirations of socialism in his work over six decades in the twentieth century, may be the collaborator we need in dealing with the fundamental issue of whether the socialist project can overcome modernity's moral risks.

Wigforss is little known outside Sweden.¹ In his own country, having outlived his enemies, he has fallen prey to his friends. On ceremonial occasions, when social democratic leaders recite the names of the heroes who now lie in the party pantheon, his name is pronounced with particular reverence. But the gulf between social democratic politics over recent decades and the politics he cultivated means that his profile has long had to be exhibited in soft focus. Indeed, the conventional historiography of Swedish social democracy goes even further and blurs this profile beyond recognition. According to this particular grand narrative, the movement began in the nineteenth century with a crude and socially disruptive foreign dogma (marxism), but in the course of a long and fruitful interaction with the benign native political culture, it matured into a sophisticated social-liberal political machine that integrated national political life and capitalist socio-economic development. In this story Wigforss is cast in the role of a local John the Baptist who heralded the coming of Keynes.

In restoring Wigforss's political profile we straighten out the more outlandish twists in this tale. But its authors at several turns have rendered

1 Tilton 1979, 1984 & 1990, ch. 3, as well as Higgins 1985a and 1988, pretty well exhaust any sustained English-language references. The Swedish reader has, of course, access to Wigforss's whole oeuvre, a substantial portion of which is reprinted in the nine volumes of Ernst Wigforss *Skrifter i urval* (Tiden, 1981 – hereafter EWSU), as well as to Lindblom 1977. Amazingly there is no biography. Helldén 1990 presents a short 'intellectual biography'.

us a valuable service in problematising aspects of the socialist project that are now badly in need of clarification. In this clarification we do not treat him uncritically, but instead point to gaps and self-contradictions that his successors need to make good.

This book is not a biography, though it will, we hope, present enough biographical detail to provide context and flavour in understanding Wigforss's thought and career.

The new democratic socialism

When Wigforss joined the social democratic party in 1906, it had a developed marxist ideology and a sense of historic mission that it took from the sophisticated theoretical perspectives of the Second International, to which it belonged. In a nutshell, the party cleaved to a development theory that promised a coming 'maturation' of western European capitalism, at which time (but not before) a transition to socialist society would automatically find its way onto the historical agenda. This would take the form of a future social democratic government legislating to transfer existing large-scale capitalist enterprises to the ownership and control of the state. In the meantime the task of the social democratic labour movement as a whole was to organise and consolidate itself in preparation for this transition, and to fight for universal suffrage and for incremental reforms to raise the physical and cultural standard of the working class. In this study we refer to this political tradition as the old democratic socialism. Hjalmar Branting, the leader of the party for the first 36 years of its existence (1889–1925), personified the old democratic socialism, which saw itself as the beneficiary of historical change rather than its arbiter. Almost to the end Branting appeared as the guarantor of the labour movement's inexorable progress, not least in bringing the long campaign for universal suffrage to a successful conclusion in 1918.

Yet right from the start Wigforss felt grave misgivings about this vision and its theoretical assumptions. The marxist development theory it rested on was unconvincing and more anti-political than a guide to action. Above all, it downplayed democracy as a fundamental principle of

association, as well as moral evaluations as such. In the end it failed to seize the political opportunities of the democratic state it itself had done so much to construct. The insurrectionist left periodically threw down the gauntlet to the old democratic socialism, but in Wigforss's view it magnified rather than overcame the latter's frailties.

We call the political doctrine that Wigforss forged to replace this original social democratic politics the new democratic socialism. It might also simply be referred to as social democracy, were it not for the blurring and denaturing of this term since the 1970s. Wigforss's socialist politics affirmed the new democratic constitutional state, but also a far richer notion of democracy together with a wider field for its application in subverting capital as a social relation inscribed in the typical forms of socio-economic organisation in capitalist society. It radically denied development theory as such (both marxist and economic-liberal) and saw political action in voluntarist terms, driven by elective moral choices. Rather than wait for 'history' to unfold, it developed a proactive statecraft to shape it. The emergence and application of this new democratic socialism to social change is the major theme of our book.

Retrieval

When a tradition like democratic socialism finds itself in crisis we should approach its resolution with a little sense of method. Why try to retrieve something from the past when the conundrums we have to face belong to the present and the future? We have sought a provisional answer to this question in the work of the moral philosopher Alasdair MacIntyre and his illuminating discussion of *practice*, *tradition* and *institution*.²

The *practice* Wigforss engaged in was democratic socialist politics, itself a subset of political activism. In adapting MacIntyre's definition we can say that this practice is a coherent, co-operative activity that seeks to realise certain values (or 'goods'). A practice both cultivates a practical competence that integrally expresses those values, on the one hand, and

2 MacIntyre 1985, pp. 187–194, 221–225.

further elucidates what those values are (and in what forms they may best be expressed), on the other.

As Wigforss's story unfolds it will become clear why this notion of practice is far more useful than the one most socialist writing embraces. The latter postulates some socialist end state or 'goal', that socialist political practice serves in an instrumentally rational way. Choice of means thus becomes morally uninteresting, or 'value neutral'. Against this, Bernstein's notorious insight – that the movement is everything and the final goal counts for nothing – informed Wigforss's approach. Political means must exhibit the ends they serve. Critics of both thinkers commonly assume that this elevation of movement over goals makes for a more accommodating, less 'radical' politics. This study will suggest the opposite.

Democratic socialist practice cultivates certain values through the transformation of exploitative, hierarchical or restrictive social relationships. One institution that is inevitably drawn into this project is the state, which socialists – in common with other non-liberal political traditions – see as a vehicle for purposive and deliberative human action. The practice, then, includes statecraft – the pursuit and use of political power in aid of the wider ambition of social transformation. Instrumental rationality has no pride of place here, either. The skills of political mobilisation have an inalienable moral content as much as the aspirations they serve. In this way, they outflank both the static nostrums of public administration and the conventional wisdom of subordinating policy and programme to the dictates of advertising gimmickry.

Democratic socialist practice, like any other practice, has a history, and so takes place in what MacIntyre calls a *tradition*. By this he means that a practice is informed by an ongoing process of reasoning, criticism and invention directed towards the elucidation and realisation of the values that the practice embodies. To be an effective practitioner is to have a good grasp of how the tradition came to form the practice as one encounters it in one's own time. Equally importantly, good practitioners continually return in their own practice to the fundamental questions with which the tradition began, in search of fresh insights. In times of crisis in a tradition, it can also be useful to listen into what is being said in other traditions, even rival ones. In this study we are concerned with the democratic socialist tradition that began (to take a convenient starting point) with the

formation of the Second Socialist International in 1889, but that has clear antecedents extending back through marxism and its rival socialist schools to eighteenth century radical democratic thought.

A tradition is a living one, MacIntyre suggests, when its bearers continue this fundamental questioning, which entails conflict. The decline and death to which traditions are prone occur when the questioning ceases, and ideas and precepts are handed down as a self-evident heritage. Wigforss not only consciously situated himself within the democratic socialist tradition but fundamentally questioned and modified it in the course of his political practice. To revitalise that tradition today is to come to grips with Wigforss's renovations in the course of our own return to the generative questions about the aspirations of socialism and how we might best pursue them. 'An adequate sense of tradition manifests itself in a grasp of those future possibilities which the past has made available to the present,' MacIntyre writes.³

But practices need to be sustained by more than tradition: they require the concrete settings of *institutions*. From the founding of the Second International, the major institutions of democratic socialism have been the social democratic parties that this body inspired, especially those in western Europe. These parties in turn characteristically extended their practice into union movements and other institutions of organised labour. Swedish social democracy exemplifies this process.

The relationship between practices and traditions on the one hand and their sustaining institutions on the other is a problematic one. A variety of institutional contingencies – such as internal power struggles, dilution by other traditions and an influx of personnel with little or no sense of the institution's original *raison d'être* – can render an institution a poor vehicle for a tradition, and even a corrupting influence on it. We will need to remain sensitive to these possibilities when looking at the history of Swedish social democracy.

In retrieving Wigforss's contribution to the democratic socialist tradition we will suggest that the questions he formulated are still with us, and that – as so many have testified – his answers have an acute relevance still, as elites uncertainly begin to acknowledge the damage their capitulations

3 MacIntyre 1985, p. 223.

to neoliberal marketisation and de-democratisation have wrought in poor and rich countries alike.⁴ Familiarity with his political values and priorities can lead to clear discriminations within the otherwise bewildering, cynical or disempowering theories and ideas that now claim to guide radical thought.

To take the main thread in Wigforss's democratic theory as an example, he extolled citizenship not only as membership of a particular society, but also as participation in its associational life and amenities. In his company, we can trace the elaboration of citizenship along two axes: a vertical one to do with opening up new aspects of citizenship – civic, political, social, economic and vocational; and a horizontal axis of inclusiveness, as more and more groups come to participate fully in social development. But even to focus in on citizenship is to raise philosophical issues to do with how we conceive the individual as such, and the role of the state in reinforcing democratic citizenship. Today various strands of liberalism, communitarianism, civic republicanism, feminism and critical theory have much to say on citizenship and its relation to the democratic state. To follow Wigforss is to develop clear preferences among them and to produce a coherent concept of democratic citizenship from those that survive the cull. In this way we can find in present-day thought the affinities and complementarities we need to update and fill out his democratic socialism.

4 Striking examples include books by Joseph Stiglitz 2002 and 2003, statements by James Wolfensohn in the early 2000s and conservative critiques of globalisation from John Gray 1998 and 2007 in Britain, Chalmers Johnson 2004 in the USA and John Ralston Saul 2005 in Canada. A version of Stiglitz's and Wolfensohn's struggles against entrenched development practices (the Washington Consensus) is provided in Wolfensohn's personal biography (2010, ch. 14). Here the former head of the World Bank argued that he was never quite able to convince his colleagues to adopt a 'comprehensive development framework' which would prioritise multi-dimensional development (requiring consultation and dialogue with poor countries) and poverty reduction rather than liberalisation and structural adjustment. Inability to learn from policy mistakes, or to receive only ambisinister indoctrination, seems to be endemic in economic policy controversy across cultures. For a passionate though more general account of the tenacity of harmful economic ideas, see John Quiggin 2010.

Intellectual milieu

Ernst Wigforss was, and remains, the major contributor not just to Swedish social democratic practice, but also to the theory of social democracy generally. He drew on not just one analytical tradition but many strands of thought and research in the social sciences – to create a coherent conception of political possibilities. While many early twentieth-century socialists professed the impotence of democratic political processes (thus mirroring the economic liberals' assertion of their illegitimacy), Wigforss promoted a morally driven, participatory politics as the springboard and defining achievement of western progress. In the chapters that follow we will demonstrate that his mission was as successful as it was mainly because it built on a broad range of new social scientific understandings of the modern human condition. By its very nature it remains an unfinished project that demands constant receptivity to new inputs. We need to juxtapose Wigforss's perceptions of capitalist political economy with subsequent evaluations and debates. This requirement has determined the arc of our discussion.

Wigforss's opposition to economic liberalism consisted not merely in his affirmation of inclusive, active citizenship, but in his insistence that the entitlements of citizenship should not be hostages to market outcomes. In this way Wigforss confirmed the conception of politics implicit in the tradition that ran from Aristotle through Machiavelli, the American civic republicans and pragmatists, Hegel, Weber, Christian social thought, institutional political economy, Keynes and the post-keynesians, and on to contemporary neo-weberian statism: namely that politics is the collective activity by which humanity seeks control over its own destiny. Freedom means self-rule, as the civic republicans insist.

The wigforssian social democratic view thus asserts the power of the democratic will to wield policy and institutional creativity in order to neutralise the disruptive effects of market processes. These days the latter notoriously include global warming and ecological catastrophe. Market incentives, and the licence they give to individuals to engage in self-interested behaviour, often serve the public good, especially when entrepreneurial enthusiasms generate new industries and technologies. But this fact does

not support the economic-liberal creed that progress demands acquiescence in growing inequality, social insecurity, measurable deprivation and environmental destruction. Political creativity can discipline a market to make peace with fairly distributed life chances, steady social development, and sustainable, socially responsible industry. At about the same time Wigforss was developing his programme for Sweden's postwar reconstruction, Joseph Schumpeter referred to market-led adjustment as a process of 'creative destruction'. With far less insouciance towards the destructive effects of the market than his economic-liberal colleagues, Schumpeter implied that a key responsibility of policy processes would always be to attend to the undesirable consequences of liberal capitalism.⁵ In the words of postwar German 'social-market' economists, the market was a 'good servant but a bad master.' Most non-mainstream schools of economic analysis have developed this understanding: political intervention to deflect unwelcome market outcomes is neither illegitimate nor impossible. Market outcomes are not sovereign even though that is their advocates' intention.

Wigforss's opposition to economic liberalism was never doctrinaire. The analytical traditions on which he drew varied in their enthusiasm for enlightenment rationality as the cynosure of modern development. Marxism called for the political supersession of the defining features of capitalist market economies – market modes of allocation, profitability as the main criterion for investment, commodity production, the commodification of labour, and authoritarian control of the production process as the exercise of proprietary rights. As an intellectual tradition it saw capitalism as an abstract, holistic model that defied piecemeal political reform. Wigforss accepted the main lines of marxism's critique but resiled from its a priori political defeatism. To reach for the possibilities of politics meant that policy creativity needed to focus on the empirical specifics of particular economies. Its deviation from the abstract model pointed to a variable logic of accumulation, and thus to less scripted historical possibilities. For him, the democratisation of production and the transformation of undemocratic social relations were thoroughly imaginable this side of any

5 Joseph A. Schumpeter 1943, ch. 7; see also Dow 2001.

game-changing ‘socialist transition of capitalist society’, and they thus should find their way into the labour movement’s present action programme.

Other schools of political economy either reached or permitted similar conclusions. For example, keynesianism – however disillusioned its major adherents were by opposition to its policy proposals and their post-1945 ‘bastardisation’ – always rested on the conviction that macroeconomies should be managed. Though marxian and keynesian explanations of recessionary unemployment show affinities, they parted ways in their respective conceptions of how policy processes might respond. For the latter, specific problems, even recurrent ones, invited policy solutions.⁶ By the 1940s, the ‘post-keynesian’ writers had claimed that business groups – by resisting policy interventions, particularly concerning the control of investment – were preventing capital from behaving rationally; they were sacrificing their own profits to defend their exclusive proprietary prerogatives.⁷ This contestation over economic management reprised political battles Wigforss had already waged against his own party’s orthodoxy in the 1920s and 1930s.

The idea that politics should impose elective criteria on economic decision making at the macroeconomic level had well enunciated nineteenth-century origins, especially outside the anglophone world. In the 1830s Hegel envisaged state institutions able to redress the effects of unguided egoism as a part of the natural development of society. Émile Durkheim in the 1890s suggested intermediary institutions able to compensate for the anomie and loss of organic solidarity resulting from the spread of market specialisations and the division of labour.⁸ The economic sociology that subsequently developed showed that curbs on private investment behaviour did not necessarily detract from the prosperity and material progress that capitalist economies generate. Thus, non-economic impositions on economic activity were gradually recognised as ineluctable,

6 See, for example, John Maynard Keynes 1932.

7 See Michal Kalecki 1943. Keynes of course had implied as much in his radio addresses in the early 1930s.

8 Émile Durkheim 1893 (see especially the 1902 preface to the second edition for his solutions to the problem of anomie).

rather than as impediments to be ‘reformed’ away. The pure market of the economic-liberal textbooks could never be attained, as economic behaviour was always embedded in societal arrangements, themselves indispensable.

At the same time, Christian churches initiated a branch of social and economic thought (later called the ‘social economy’ approach) that re-inserted a moral dimension into criticisms of, and prescriptions for, capitalist development. The most influential ecclesiastical document, Pope Leo XIII’s 1891 *Rerum novarum* (On the condition of labour in new circumstances), legitimated trade unions as institutions able to bargain collectively with employers whose inclination would be to oppose improved or negotiated conditions of employment and remuneration. The church even suggested experiments in economic democracy and cooperative arrangements, and even admonished the winners from competitive processes to make provision for losers, in the interests of social cohesion. Catholic recoil from the commodification of labour in particular arguably exceeded the fervour of the marxist critique of it.⁹ The principle of decommmodified production – outside the market on the basis of citizenship or ascriptive entitlement – was well recognised early in the twentieth century.

These strands of thought, often with conservative rather than social democratic provenance, contributed to an intellectual milieu wherein societal and moral priorities were granted considerable authority, especially for the construction of institutions which could regulate key aspects of individual behaviour. Economies in the modern era were beginning to evolve in ways that demarcated them from the abstract depiction of the laissez-faire model.

Alternative conceptions of how capitalist development might proceed under democratic auspices usually came with only vague gestures at political programmes. But many of the policy dilemmas faced in actual national contexts evoked the heterodox discussions with which Wigforss was broadly familiar. Social democracy would always need policies to counter the economic liberals’ evangelium that wealth creation and socio-economic de-

9 See Pecci 1891; also Troeltsch 1911, McHugh 1993 and Pabst 2011 for an analysis of Joseph Alois Ratzinger’s (2009) anti-globalist encyclical *Caritas in veritate* (Charity in truth).

mocratisation were utterly incompatible. He devoted much of his intellectual energy to convincing his party that only state and labour-movement institutions with a robust conception of public responsibilities could develop desirable societal capacities. As he tirelessly argued in the interwar period, recurrent unemployment constituted the most obvious indicator of market capitalism's propensity to waste resources as well as generate social distress. In this way he anticipated specific controversies in political economy that would define parliamentary and extra-parliamentary politics in most western countries through the rest of the twentieth century.

These controversies included whether taxation should be increased to fund collective provision or not; whether income equality facilitated or hampered high levels of economic activity; whether society as a whole or employers alone should assume responsibility for the quantity and quality of production; whether the polity was entitled to develop self-protective mechanisms intended to re-engineer market incentives; whether political institutions should be mandated to displace 'rational' processes which produced irrational outcomes; whether the complications of a mixed economy should be embraced or minimised; whether unusual (democratic) forms of organisation should be developed for the productive sector or not.¹⁰ Early analytical traditions prefigured all these practical conundrums. And they concern us still.¹¹

In each country, intellectuals laboured to suggest reforms in accordance with the specific political realities and resource constraints they faced. For Wigforss, the overarching problem was to ensure that his own side did not succumb to the discursive power and anti-political thrust of main-

10 See Thorstein Veblen 1898a; also Hodgson 1998, 2004; Tribe 1995; and Milonakis & Fine 2009.

11 Analytical traditions that have proven commensurate with Wigforss's disquiet have asserted that trust, sociability and financial stability are regularly threatened by normal processes of capitalist activity under economic-liberal auspices – thus implying that politics and 'embeddedness' facilitate wealth creation rather than distort it. By extension of this argument, we concur that environmental sustainability and principled treatment of populations have become 'non-economic' issues with a major bearing on meaningful prosperity. Though the argument is not detailed here, we accept, as will become apparent in later chapters, that such interpellation into economic calculation can be and should be expected.

stream economic liberalism. As we have now seen, there was no shortage of ideas to bolster his anti-economic-liberal democratic and moral aspirations. The latter fell on fertile theoretical terrain.

The structure of the book

The first chapter establishes an explanatory framework we will use in accounting for the significance of Wigforss's contribution. This framework helps us to identify the basic cleavage in the politics of all western countries, between the successive expressions of economic liberalism on the one hand, and its historically diverse opponents on the other. This cleavage, we suggest, has vital ramifications for our story, including the nature and possibilities of commercial society, 'market society', citizenship and the moral aspirations appropriate to modernity. Within this framework we locate the development of social democracy in the late nineteenth and early twentieth century in chapter 2. Here the spotlight falls on the particularly coherent development of the social democratic labour movement in Sweden under the tutelage of the old democratic socialism.

In chapter 3 we meet Ernst Wigforss himself. We highlight the moral and philosophical orientations he takes with him into the social democratic party before the first world war, and which remain fundamental to his politics until his death. Ignorance or misperception of these foundations has proven the greatest single source of error in interpreting his contribution. In chapter 4 we follow him as he moves into the major arena of democratic socialist practice – parliamentary politics – and departs from a political line that neither expresses nor furthers the moral aspirations he himself embraces. The renewal of the tradition that he now undertakes, we suggest, justifies the expression the '*new* democratic socialism' to capture the contrast with the pre-existing conception.¹² Nonetheless, the term stands for a demarcation within the tradition, not a dislocation. During

12 Although, as noted earlier, we will accede to contemporary usage by adopting the term 'social democracy' in most of what follows (chapters 4, 5 and 6 excepted, for reasons explained therein).

this period social liberalism also establishes a foothold in the party as a rival response to the failure of the old democratic socialism; but, at least while Wigforss remains in the leadership, its influence is peripheral. His conception of democracy is communitarian rather than liberal, and he uses it to challenge liberalism as political and economic theory.

The new democratic socialism finds expression, in chapter 5, in a revamped statecraft with which the party tackles the predicament of mass unemployment, both before and during the great depression in the 1930s. On the basis of this statecraft, Swedish social democracy establishes a political dominance that it managed to defend until the last decades of the twentieth century, in spite of the gradual displacement of democratic socialism by social liberalism in the party after Wigforss's retirement in 1949. In the first two decades of this dominance, at least, Sweden embarks on an exceptional social and economic development.

From the late forties until his death in 1977, Wigforss is preoccupied, we see in chapter 6, with enriching his democratic socialist perspective in terms of a critique of the social-liberal tide inside and outside the party throughout the postwar period. Both his critique of liberalism and subsequent deepening of the 'late-modern' socialist project shed an important light on today's radical debates.

What of Wigforss's influence after his death? In chapter 7 we turn to the development of the blue-collar union movement, the other major component in the Swedish social democratic labour movement. As Wigforss's star declines in the party during the postwar period, it tends to rise in LO and its leading unions. The movement elaborates its own version of the new democratic socialism, maintaining and expressing the doctrine until the final decade of the century. More than a doctrine, Wigforss's integration of the values of democracy in all sites of human cooperation, social equity and economic efficiency, serves as a matrix which generates new policy responses in the union movement as it encounters new conundrums and aspirations.

The last three substantive chapters restate the possibilities of the new democratic socialist politics that have emerged within political economy over the past century or so. Wigforss's understandings of politics developed – and in some respects anticipated – heterodox contemporary developments in the analysis of capitalist economies. In chapter 8, we present data from the rich economies which show that political possibilities have not been

eroded by the changes and disruption since the 1970s. First, the arena of collective provision has expanded – with higher public spending, broader and more reliable taxation revenues, uncurbed social transfer expenditures, and increasingly embedded citizenship entitlements. To these standard social democratic aspirations, we now note a number of important concomitants. Recurrent retreats from the austerity associated with liberal preferences occur, alongside growth in non-market provision (sometimes referred to as the decommodification of consumption) and the common and constant resort to unusual forms of macroeconomic governance – including a surprisingly successful if ad hoc involvement of unions in policymaking. These developments partly reflect burgeoning hostility to the homogenising effects of globalisation, as well as resentment towards elite complicity in the ongoing democratic deficit. But none of these developments will in themselves drive progressive change in the absence of a durable left ascendancy – one able to see to it that gains are not transitory and electorally opportunistic, but rather genuinely transformative.¹³

Given the confusion today over fundamentals, including new disquiet about assertions of the inevitability of market modes of regulation, we need to update the argument for social democracy's central premise – the compatibility between its democratic and its wealth-producing components. Recent enthusiasm for the incorporation of 'social capital' into accounts of how economic performance is underpinned by social conditions – a recurrent feature of Wigforss's democratic world view – appears as just one instance of this phenomenon.

In chapter 9 we clarify the case for an expansion of labour's macro-political responsibilities. While institutionalist and post-keynesian traditions of the twentieth century confirmed increasingly unorthodox insights, it was Wigforss who best understood the need for organised labour to exploit the opportunities outlined in chapter 8. This chapter, then, takes up a central intellectual issue: how labour's deliberative (and transformative) political activity at once contributes to and is shaped by structural circumstances. The heterodox insistence that social, moral and political prefer-

13 In our own time we have seen how genuine public goodwill and even political skill can, in the absence of effective statecraft, be debauched (Lanchester 2011b). The tragedy at the centre of contemporary politics is equivalent to that in the 1920s and 1930s.

ences need not capitulate to economic processes is central, of course, to Wigforss's democratic temper.

We will confirm the relevance of political economy to contemporary appraisals of prospects for social democracy in chapter 10, in the context of contemporary marxist revisions to that school's own distinctive understanding of policy retreats and crises in the state. We link the apparent abrogation of politics in recent decades to another question: how has neoliberalism given form to, modified and stunted capitalist economic activity in this period? Comparative studies of 'mature' economies suggest that political caution has become less defensible in material terms. Is neoliberalism, then, entirely iatrogenic? There has been little recognition that policy interventions ameliorated the inflationary conflicts of the 1970s and 1980s, and the restructuring-induced crises of the 1980s and 1990s. Moreover, the available understandings of politics and the state (whether liberal or marxian) remain unconvincing. Continuing unemployment and financial crises prevail in the new century, as does political paralysis. Current problems which policy and institutions must address arise from generic problems in capitalism that Wigforss always responded to. Yet any recognition that politics can and does intervene in processes no longer seen as beyond humans' deliberative efforts clearly diverges from commonplace assumptions about the proper ambit of policy. Today's eclipse of economic liberalism puts such assumptions in contention once more.

Having said what the book is about, we need to make clear what falls outside it. This is not another book about the 'Swedish model' nor Swedish social democracy understood as a realised or proposed socio-economic system, still less as a coherent political doctrine. Social democracy appears here in its original sense as an institutionalised political movement in which several distinct political currents contend. This is not to dismiss the wealth of literature that takes these phenomena as objects of study,¹⁴ but we do

14 See in particular Misgeld et al. 1989 and Anders Johansson 1989 for Swedish sources, and in English Misgeld et al. 1992, Pontusson 1992, Clement & Mahon 1994, Ryner 2002 and Trägårdh 2007. For the classic presentation of Swedish social democracy as a political movement see Korpi 1983; for a contemporary, if somewhat more technical, discussion, see Erixon 2011a.

propose a quite different focus in capturing the experience of the Swedish labour movement.

A short word on usage. First, in accordance with Swedish practice, we refer to non-socialist parties and other political actors as ‘bourgeois’. Until recent times, Sweden’s bourgeois formations themselves followed this usage, which thus has no marxist or perjorative connotation. Second, we use gender-inclusive terms throughout, except where they would do violence to a direct quotation or where they would impute inclusiveness to categories that have not merited it.

1. The struggle over market society: from economic liberalism to the defence of politics

The idea of a self-adjusting market implied a stark utopia. Such an institution could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness.

Karl Polanyi

Ernst Wigforss's political thought and practice encompassed a broad spectrum of the issues that were always apparent in – and still constitute – the political economy of western society. At the same time Wigforss's political partisanship was highly focused. With moral passion, intellectual brilliance, strategic adroitness and personal energy as an agitator he was arguably the most formidable opponent that the political programme of economic liberalism has faced in any western polity. It is thanks to him more than to any other contemporary that economic-liberal politics in his own country was discredited and lay virtually paralysed for half a century after his party launched its unique frontal attack on it in the early 1930s. Even now, well into the twenty-first century, this revived but unreconstructed political programme continues to underpin liberalising internationalism and economic rationalism in western political life and lends the retrieval and re-vamping of Wigforss's legacy particular urgency.

By the time of Wigforss's birth in 1881, and certainly by the time he became politically active in Sweden's social democratic labour movement in the first decade of the twentieth century, the battle lines between economic liberalism and its variegated enemies had been well and truly drawn. A basic thesis of the present study is that this cleavage has fundamentally structured western politics since the first half of the nineteenth century, and continues to do so today in a less mediated form than ever. Any meaningful reconsideration and updating of Wigforss's thought must begin by revisiting the issues that this most fundamental of all divides poses for western social and political life, for they forcefully moulded his politics.

This first chapter sketches the issues Wigforss inherited when he came of age politically as a prelude to subsequent chapters, which will look at how he developed them and how today we might take his contribution further. The brief survey of these issues below necessarily contrasts with myths of origins that economic liberals have always appealed to in ‘scientific’ discourse (economic theory) or more overt forms of political propaganda – myths that today have ingratiated themselves into our political culture as supposedly self-evident truths.

Market artifice, utopia and freedom

The political programme of economic liberalism has as its goal the establishment and defence of market society – a social order in which the allocation of productive resources, the distribution of wealth, income and life chances, and all socio-economic relationships (‘private’ ones excepted) are exclusively subordinated to, and become functions of, market mechanisms. Market society requires goods and its human inhabitants to present themselves on markets in commodity form. Market society is thus a commodifying society. This project sets its face in theory against all non-market principles and forms of social organisation. All institutions for the relief of social distress, the redistributive state and political, public or social regulation of socio-economic processes are therefore anti-liberal. Such adjudicative principles, economic liberals have always claimed, are the harbingers of both tyranny and inefficiency, whereas in market society people are free and their individual efforts to maximise their welfare enjoy optimal outcomes. According to economic liberalism’s theory of development, market society represents the final, *modern* stage in humanity’s long progress out of some original state of savagery, chaos, personal insecurity and material misery. For its true believers, *market society stands for the terminus and telos of historical development*. Francis Fukuyama has powerfully restated this millenarian dimension of its myth in our own time.¹

1 Fukuyama 1992.

The early prophets and later messiahs of this New Jerusalem told its tale in different terms. The most prominent of the early prophets, John Locke, explained in ascetic-protestant language how each man's personal relationship to God made him an equal, rights-bearing individual. An inviolable property right was the foremost of all rights, because it allowed for the private appropriation and thus development of nature's riches, the material basis of civilisation. God bestowed these rights long before the state emerged, and the latter has no mandate to interfere with them. Over a century later Adam Smith dropped the overt theological allusions in favour of a covert one to the beneficent 'invisible hand' of the market that optimises the selfish activity of everyone to maximise national output for the common good.² Shortly afterwards, Jeremy Bentham explained that maximal national output maximised human happiness. In the late eighteenth century neo-classical economic theorists, using parables from a mythical anthropological past, showed how self-regarding calculation based on marginal utility actually maximised everyone's happiness. Closer to our time, Robert Nozick brought us full circle back to Locke (but in today's 'post-metaphysical' fashion, of course), to the property-rights bearing individual to whom redistributive politics in particular is 'unjust.' But however the tale is told, markets are *natural* and market society a happiness- and freedom-maximising condition ordained by nature (or a deity), something that spontaneously arises once the fetters of pre-market institutions are broken and so long as misguided ambitions to impose conscious human order on the economy are checked.

Then as now, the tale draws on metaphysics and fictive origins. To confront economic liberalism with its actual political origins and place in anthropological history is to see a startlingly different version of it – indeed, the precise inversion of its founding myths – the one Wigforss himself addressed and added to.

- 2 Even for Adam Smith, the commitment to laissez-faire was ambivalent: in *The theory of moral sentiments*, while espousing the principle of the 'invisible hand', he wrote approvingly of 'institutions which tend to promote the public welfare' the 'great systems' and 'constitutions of government' which, through a 'certain love of art and contrivance' contribute to a 'beautiful and orderly system' (1759, p. 352). Later in *The wealth of nations*, he reserved for government the obligation to correct some dehumanising effects of the 'division of labour' (1776, Book V, pp. 366–367). See also ch. 9.

This confrontation has been the work of Karl Polanyi above all, in his classic study, *The great transformation: the political and economic origins of our time*,³ written during the second world war. He pinpoints the formulation and first breakthrough of economic-liberal politics to just fourteen years of British political history, an occurrence that followed closely the enfranchisement of the male middle class in the 1832 Reform Act, and that encompassed a sweeping programme of legislative and administrative intervention of which the Poor Law Amendment Act of 1834, the Bank Act of 1844 and the Anti-Corn Law Act of 1846 were the highlights. This programme grounded the three core tenets of market society: socially unprotected labour must find its own price on the market, the money supply must be subjected to an automatic restraining mechanism, and free trade.⁴ As we shall see in a moment, Polanyi gives us a still-valid account of the basic structure of political conflict in the west in his account of the resistance – both conservative and radical – this interventionist programme provoked when it surfaced. But first we need to briefly open up four themes in Polanyi's historical analysis of economic liberalism – the artificiality of market society, its dependence on state intervention, its penchant for technocratic rule, and its negation of freedom in any meaningful sense. For these themes are vital to Wigforss's politics.

Long before the invention of market society, Polanyi points out, barter, trade and markets existed in human societies in Europe as they did elsewhere. But the historical and anthropological evidence shows that these mechanisms – along with other aspects of economic organisation, such as productive roles and determination of distributive shares – had universally been subordinated to social organisation, and in particular to political or customary regulation with an explicit ethical basis. Trade did not necessarily imply markets or competition, and markets for their part showed no tendency to spontaneously expand. When markets did expand – as they did significantly in the early sixteenth century – it was not spontaneous growth but the *deus ex machina* of the state (the mercantilist state in that instance) which drove the change. Smith's famous reference to a natural human 'propensity to barter, truck and exchange one thing for another,'

3 1944.

4 Polanyi 1944, p. 135.

the origin of the economic-liberal myth of *homo oeconomicus* (economic man), is ‘almost entirely apocryphal.’ Nonetheless, ‘no misreading of the past ever proved more prophetic for the future.’⁵

The notion of self-regulating markets is thus a novelty that ‘has been present in no time but our own;’ it calls for the construction of a market economy, and of a market society to provide for the latter’s extremely demanding institutional supports. Market economy and market society certainly did not emerge from any ‘natural’ evolutionary process, and in fact represent a ‘complete reversal of the trend of development.’⁶ Polanyi points out:

the control of the economic system by the market is of overwhelming consequence to the whole organization of society: *it means no less than the running of society as an adjunct to the market. Instead of economy being embedded in social relations, social relations are embedded in the economic system.* The vital importance of the economic factor to the existence of society precludes any other result. For once the economic system is organized in separate institutions, based on specific motives and conferring a special status, society must be shaped in such a manner as to allow that system to function according to its own laws. This is the meaning of the familiar assertion that *a market economy can function only in a market society.*⁷

The artificiality of market society – its dependence on the external intervention of an activist, engineering state as it were – is indicated in the pregnant phrase ‘society must be shaped.’ Among the ways it was shaped by the economic-liberal interventionists was in the creation of the three basic ‘fictitious commodities’ of land, labour and money; for labour markets and capital markets were among the new but central institutions that the construction of market society demanded to meet the requirements of industrialisation.

Market economy was not only an anthropological mutant, but it also implied a peculiar and round-about approach to organising production. ‘The extreme artificiality of market economy,’ Polanyi observes, ‘is rooted in the fact that the process of production is here organised in the form of buying and selling.’⁸ As we shall see in chapter 4, this ruled out any direct

5 Polanyi 1944, pp. 43–44.

6 Polanyi 1944, pp. 37, 68.

7 Polanyi 1944, p. 57 (emphases added); see also p. 71.

8 Polanyi 1944, p. 73.

approach to the specific organisational and technical issues of manufacturing – an especially technology- and organisation-intensive form of production. In the co-ordination of industry these complex and multidimensional issues had to be reduced to the one artificial dimension of money and accounting procedures. Metaphysical assertions that would later be enshrined in mainstream economics propounded this form of rationality as optimal and inevitable, and many otherwise hostile thinkers and observers (including Karl Marx) wholly or partly accepted this claim. Wigforss would prove a startling exception. In fact, his masterstroke as an active politician would be the development of a politics of challenging market society's rationality and fitness as the basis for further industrialisation.

Market society has always been a utopian project. As such it is what would be characterised these days as a *totalising* utopia, one demanding total conformity to a blueprint or plan that specifies the form and functioning of all the vital institutions of society and the eradication of institutions that are antithetical or not integral to the utopian social design. Only a powerful state could impose such a total vision. Historically, the state has had to intervene massively into social and economic relationships to make them fit the utopian, procrustean bed of market society. This circumstance flatly contradicts the economic-liberal myth of origins that marginalises the state's role in a fictitious natural evolution to market society and *laissez-faire*.

In a crucial passage in which he outlines the basic political conflict around the market-society project, Polanyi writes:

There was nothing natural about *laissez-faire*; free markets could never come into being merely by allowing things to take their course. Just as cotton manufactures – the leading free trade industry – were created by the help of protective tariffs, export bounties, and indirect wage subsidies, *laissez-faire* itself was enforced by the state. The [eighteen-]thirties and forties saw not only an outburst of legislation repealing restrictive regulations, but also an enormous increase in the administrative functions of the state, which was now being endowed with a central bureaucracy to fulfil the tasks set by the adherents of liberalism.

The road to the free market was opened and kept open by an enormous increase in continuous, centrally organized and controlled interventionism. To make Adam Smith's 'simple and natural liberty' compatible with the needs of a human society was a most complicated affair. [...] [T]he introduction of free markets, far from doing away with the need for control, regulation, and intervention, enormously in-

creased their range. Administrators had to be constantly on the watch to ensure the free working of the system. Thus even those who wished most ardently to free the state from all unnecessary duties, and whose whole philosophy demanded the restriction of state activities, could not but entrust the self-same state with the new powers, organs, and instruments required for the establishment of *laissez-faire*.

The paradox was topped by another. While *laissez-faire* economy was the product of deliberate state action, subsequent restrictions on *laissez-faire* started in a spontaneous way. *Laissez-faire* was planned; planning was not.⁹

Economic liberalism, then, has only a rhetorical connection with state passivity in general. It only requires state abstention from market mechanisms (once the state has established them in the first place) and their outcomes. Given the artificiality of its utopia, its only consistent principle is the self-regulating market, which can require massive doses of state intervention to establish and maintain.¹⁰

What separates economic liberals from their opponents is not the question whether the state ought to intervene in social and economic matters, but what that intervention is for – to assert market mechanisms, or to serve other social and moral priorities. Put another way, it is a question of the mode of state regulation: should it create and defend unregulated markets to alienate its own powers from, or should it lend itself directly to conscious moral priorities and human purposes? The economic-liberal answer to this question is not a *small* state but rather the ‘nightwatchman state’ whose interventionist agenda consists in just one item – taking any and all action necessary to defend, enforce and institutionalise lockean rights, and above all the right of property.

The utopian artificiality of the market-society project has required a special cadre to head the new administrative apparatus and to legitimate its actions at considerable remove from popular sentiment. Given modern credulity towards any elite claiming scientific status (analogous to pre-modern credulity towards ecclesiastical authority), the new wielders of state power had to carry scientific credentials. The discipline of political economy, and later the economics profession, fulfilled (and continues to fulfil) this role – providing a scientifically credentialled economic-liberal

9 Polanyi 1944, pp. 139–141.

10 Polanyi 1944 p. 149.

cadre in the commanding heights of the state. Today we can complement Polanyi's observations of technocracy in the English state at the time of the great transformation with much more recent examples from economic-liberal great restorations.¹¹ As a staunch opponent of economic liberalism and Sweden's longest serving Treasurer, Ernst Wigforss would nonetheless enjoy a particularly engaging relationship with the economics profession of his time!

Like other liberals, economic liberals have had a great deal to say about freedom, and the freedom that inheres in market society. Market society is synonymous with free society, they claim. On closer examination, this freedom seems to be an esoteric attribute of their methodological individualism: one is free if one's only obligations arise out of formally volitional acts. Any condition one *formally* or *notionally* contracts into, irrespective of real constraints on one's choice under the circumstances – even if it is traditional marriage, wage labour, prostitution or civil slavery itself – is a manifestation of freedom.¹²

Freedom is one of the constitutive values of modernity, one that most opponents of economic liberalism share. Not unnaturally, a good deal of suspicion has fallen on the supposed freedoms of market society. Polanyi found it unconvincingly modelled in the political sentiments and entrepreneurial activities of Jeremy Bentham, one of the foremost activists in the great transformation in England and doctrinal champions of liberty. Bentham and his brother Samuel joined the ranks of the very first industrialists in the 1790s using the latter's technical skills and the former's panopticon model for a highly regimented prison regime, now to be deployed on the technically-free working poor. Out of these lucrative, micro-social experiments, Bentham came to see – like so many of his political sympathisers since – the enormous contribution the 'minister of the police' can make to productivity in maintaining social discipline, and the

11 As we shall see later in the book, it was an isolated elite made up of economists in 'Kanslihusögern' that began the wholesale return to economic liberalism in Sweden in the 1980s. The Australian version of this restoration in the same period has been one of the most thoroughgoing, and the nature of the technocracy involved there has been particularly well researched by Michael Pusey (1991, 2003).

12 Of the many critics of liberal notions of freedom, the most formidable today is probably Carole Pateman (1988).

supreme importance of social conformity.¹³ Market society, after all, has always presupposed order, regularity and market-conforming behaviour. Individual freedom in market society has never had anything to do with personal autonomy, real options or the possibility of dissenting ways of life. The drastic mechanism of denying the vast majority of the population immediate access to the means of a livelihood, and so forcing them onto a perennially oversupplied labour market, accounts for the gap between formal contractarian liberty and substantive bondage.¹⁴ But pursuit of more substantive freedoms has inspired many opponents of market society, not least Ernst Wigforss.

The need for ‘freedom’ to find predictable, market-conforming expression was made abundantly clear by political economists in yet another paradox in economic-liberal doctrine: the absolute inexorability of market ‘laws.’ Polanyi comments:

Essentially, economic society was founded on the grim realities of Nature; if man disobeyed the laws which ruled that society, the fell executioner would strangle the offspring of the improvident. The laws of a competitive society were put under the sanction of the jungle. [...] [E]conomic society was subject to laws which were *not* human laws.¹⁵

Thus a doctrine that inspired the most draconian and utopian political voluntarism legitimated itself – and particularly its consequences – by reference to an equally extreme form of determinism. It was a contradiction Wigforss would exploit mercilessly.

Polanyi describes the consequences of this utopian interventionism in nineteenth-century England without circumlocution as a ‘social catastrophe’ and a ‘veritable abyss of human degradation’.¹⁶ It was an outcome angrily

13 Polanyi 1944, pp. 106–107, 139. For Bentham’s extolling of social conformity and the ‘tribunal of public opinion’ see Wolin 1960, p. 348, [2004, p. 312] and for his contribution the understanding of social regimentation and control see Foucault 1979, ch. 3. Another great liberal theoriser of freedom, Alexis de Tocqueville, shared the same preoccupation with regimentation in prisons, and ultimately in North African colonies (see Ehnmark 1990).

14 See above all C. B. Macpherson’s (1973) classic denunciation of imputed freedom on the labour market as restated by Milton Friedman.

15 Polanyi 1944, p. 125; see also p. 84.

16 Polanyi 1944, pp. 39, 98.

and harrowingly described by such contemporary authors as Dickens, Kingsley, Engels, Blake and Carlyle. By way of political response a counter-pole emerged in opposition to economic liberalism, one Polanyi refers to by the generic title of the 'self-protection of society.' It was a grab bag for a diverse collection of movements and doctrines, from those who rejected modernity as such (romantics, reactionaries and conservatives) to those who saw another potential development for the modern world – various manifestations of an emerging labour movement, socialists of many varieties and, later, feminists and dissident liberals. Since there was no way back to a (real or fictitious) pre-modern paradise, political movements based on one did not thrive. Western politics settled into a pattern of polarisation around two contrasting conceptions of modernisation – the economic-liberal one, and one that persisted in accounting for modern society and its potential in social terms.

Commercial society, civil society, market society

Before market society there was *commercial society*. The evolutionary, naturalist and essentialist discourse of economic liberalism has obscured this vital distinction even for most socialist thinkers, but it is important for our story to revive it. If there ever was a propensity to barter, truck and exchange, then its appropriate expression was in the commercial society that many pre-industrial observers of modernity – Smith, other members of the Scottish enlightenment and Georg Wilhelm Friedrich Hegel being the most important – saw as defining modern society. Commercial society was essentially the outcome of the political opening up of western European markets from the sixteenth century on. It offered much greater choice and mobility to the urban middle class in particular, and it carried at least some of the implications for peaceful wealth-creation that Smith celebrated. Markets proved useful means of communication between potential buyers on the one hand and producers and merchants on the other. Commercial society even bore the seeds of a rough and ready democratic order in that money broke down many ascriptive barriers and afforded its possessors open access to goods irrespective of birth. From Hobbes on, early modern

theorists saw commercial society as the material basis on which ‘civilisation’ rested – a term early western modernity coined as a self-characterisation.

But commercial society, as the Scottish enlightenment and Hegel also recognised, had a downside: the breakdown of community (*Gemeinschaft*) with its strong social solidarities and ethical meanings concretised in particular ways of life (*Sittlichkeit*). In their different ways they tried to plug these gaps in commercial society’s moral credentials. Smith again exercised his penchant for theories of human nature to come up with the idea that the denizens of civil society – self-regarding opportunists though they may be – were nonetheless imbued with ‘moral sentiments and natural affections’ that would cause them to respond charitably and solidaristically when confronted with the needs and misfortunes of others. By contrast, Hegel saw it as the state’s task to re-establish an ethical order at a higher level, as it were, and in practice to intervene to ameliorate the social exile of the propertyless, and the other dislocations and excesses of commercial society.

These conceptual responses among others contributed to a notion of civil society that tried to ascribe a normative rationality to commercial society. The universal rule of law and the capacity of modern society to overcome particularism and establish *civility* – routine, harmonious and fair socio-economic intercourse between non-intimates in a large-scale, impersonal society – were among the singular achievements of commercial civil society.¹⁷

The notion of civil society, as we shall see in chapter 10, has subsequently been superseded by its collective analogue: social capital. That is to say, the social, political and intellectual achievements of people in communities can be seen to provide the basis for an enhanced civility as well as constituting necessary supports for the generation of social wealth and prosperity. With a number of important reservations and updatings we will affirm these ideas in the present study and suggest that Wigforss’s

17 See Krygier 1996. The case has also been elaborated by Friedrich Hayek in his contention that market society generated civilisation by virtue of its resemblance to ‘catallaxy’ – the process by which exchange ‘admits [participants] into the community’. Hayek, though, twists the notion into an argument against any ‘authoritative act of redistribution’ (1976, pp. 60–66).

contribution can be understood in terms of a theory of civil society and societal decency as well. *While Wigforss strenuously opposed the market-society project he tacitly accepted the existence (but not the extant form) of commercial society as a given.* We must, however, be clear from the start that commercial society and the complicity of well-developed social capital have pre-industrial origins. The arrival of industrial capitalism radically changed the social assumptions on which the early social thinkers worked. The economic liberals' utopia of market society was just one version of its possible industrial future, and for a time it was the only discursively available one.

Subordination, exclusion and inequality versus citizenship

Four decades before the 1832 Reform Act in Britain cleared the path for the great transformation to market society, two powerful genies escaped from the bottle of modernity – the democratic revolution and the industrial revolution. The former escaped in the French Revolution and proved highly corrosive (at least in the long-term) to any limits and distinctions on who belonged to and who could participate in modern society. Though its logic has often been slow to reveal itself, a new discourse about *inclusive citizenship* and *self-rule* was unleashed on western political culture. While the democratic revolution came to lead its unruly life in modern western political culture, the industrial revolution qualitatively remoulded the material foundations of modernity and of the industrial societies that actually emerged in the west, starting with England.

The champions of market society set out to cripple the first genie and claim exclusive sovereignty over the second. Market society depended on the tutelage of a strong, technocratic state that knew when to intervene into and remould society and when to absent itself from the self-regulating markets it had itself created, and how to enforce the exclusive nature of its own construction of citizenship. The exclusivity of citizenship in market society had not only to do with the law of property accumulation that Locke extolled but, more importantly, with the way industrialisation driven by unregulated markets required an extension of the propensity to truck,