Industrial Relations as a Social Trap

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Dear workshop fellows.
Please accept my excuses for sending you such a long paper. The paper consists of two chapters in a book ms. that I’m currently working on, titled “Social Traps and the Problem of Trust”. My main argument for this workshop is in chapter 8 that starts on page 30. The first chapter is included just to give the theoretical background.

Chapter 1

Reflections after a long day in Moscow

All intellectual journeys have a particular beginning. This one commenced one evening after a long day in Moscow five years ago. In November 1997, I was invited by the Swedish Ministry for Foreign Affairs to speak at the Swedish embassy in the Russian capital. President Boris Yeltsin was soon to make his first and only state visit to Sweden and his entourage of civil servants and politicians were eager for more information about Swedish society. There were many issues upon which they sought enlightenment, according to the Foreign Affairs official who contacted me, and what they wanted from me was a lecture that addressed how the Swedish welfare state worked and how we ”controlled the Swedish state.” It sounded intriguing and I accepted the invitation with alacrity. I should add that I had essentially no personal experience of Russia and my contacts with the extensive Swedish and international research community concentrated on Eastern Europe were even more limited then than they are now.

The lecture, which was interpreted to Russian, was sadly of the somewhat more mundane sort. Much of it dealt with the sometimes esoteric differences between universal and selective welfare programs, the right of Swedish citizens to occasionally appeal the decisions of government agencies, the mysteries of the principle of public access to official records, and peculiar institutions like the Parliamentary Ombudsman. I cribbed a bit from the basic class I taught in public administration policy and some from a study of Swedish welfare policy that I had published a few years before (Rothstein 1998). Still, my Russian listeners seemed
enthralled, especially when they grasped the economic magnitude of the Swedish public sector.

Following my talk and those given by other invited guests from Sweden, the embassy had arranged the kind of refreshments customary in diplomatic contexts to promote more informal discussions between the Russians and us. One of the people I spoke to introduced himself as the third-ranking official in the Russian tax administration. He let me know that he was exceptionally interested in Sweden and Swedish state administration, for a very particular reason. He had been in touch with his colleagues at the National Tax Board in Stockholm and they had told him something that struck him as highly improbable - that the Swedish National Tax Board collected 98.7 percent of what they billed Swedish taxpayers. Could this be possible, he wondered, or were they pulling his leg? He wondered because his and the Russian tax administration’s most pressing problem at that time was that they could not collect more than about 24 percent of the total taxes due from Russian citizens according to their tax returns.

"Oh yes," I said after a few seconds thought, "That sounds about right." The figure did not count the black and gray market economy, of course, but that the Swedish National Tax Board probably collected that percentage of the total amount it actually assessed citizens sounded about right to me. To his next question of how that could at all be possible, I answered that it was probably owing to two things. For some years in the mid 1980s, I had had the privilege of working closely with Urban Laurin at the Department of Political Science in Uppsala, whose penetrating and skillfully crafted doctoral dissertation had been on the inclination (or disinclination) of Swedes to pay their taxes, so I was not entirely at sea on the subject (Laurin 1986). Through longstanding collaboration with political scientist Margaret Levi at the University of Washington in Seattle, I had also been in touch with certain aspects of American research on this intriguing subject (Levi 1988; Scholz 1998; Scholz 1998).

Based on the research by Laurin and others that I knew something about at the time, I answered Swedes’ willingness to pay taxes was founded on a widespread belief that the tax administration was reasonably competent and compelled most other citizens to pay in one way or another. And since people believed that other people generally paid what they were supposed to, they also paid. Laurin’s dissertation in particular supported that hypothesis, i.e., that tax compliance and evasion depended to a great extent on what people believed other people did. This is not unique to Sweden. Two American researchers summarize their findings as follows: "citizens will meet obligations to the collective despite the temptation to free ride as long as they trust other citizens and political leaders to
keep up their side of the social contract.” (Scholz and Lubell 1998, p. 411). A large Danish study based on survey data has also shown such a correlation: ”the lower the social trust, the lower moral standards when it comes to paying taxes” (Goul Andersen 1998, p. 246).

But, I went on, research has provided an explanation for that. Most Swedish citizens understood that all the money was not stashed in Stockholm by the Tax Board. At the very least, a substantial portion would conceivably come back in the form of child benefit, old age pensions, health care, schools, the wages of professors of political science, and other purposes of vital interest to the public and the individual. According to that research, acceptance of the need to pay taxes cannot be based solely on compulsion or threats of audits, as such an apparatus of compulsion and control would become far too expansive and costly (Levi 1988). It is also unlikely that most people pay taxes for purely altruistic reasons. Some form of conditional assent must come into the picture. We understand this to mean that citizens are prepared to pay their taxes under certain conditions, albeit somewhat begrudgingly. Those conditions were, I said, first that people believe that ”most others” probably pay what they are supposed to, and secondly that most of the money is used for purposes people consider legitimate.

”Fascinating, truly fascinating,” said my Russian conversation partner. He explained that there were two reasons most Russians did not pay their taxes, which jibed with my reasoning to a certain extent. Russian citizens believed that since most other people did not pay, it was rather pointless to play the honorable taxpayer and they believed that most tax bureaucrats and other civil servants were corrupt to the core. Either they took bribes to let people get out of paying taxes, or else they personally confiscated a considerable portion of the taxes that were, despite all, actually paid. If, contrary to all expectations, some tax revenues reached the proper addressee in the Russian state administration, the general belief was that those civil servants were also corrupt or that the funds were spent for generally illegitimate purposes.

The Russian then wondered whether it was true that most officials in the Swedish state administration could not be bribed. I answered in the affirmative and then inquired, somewhat discreetly, whether the beliefs of Russian citizens about widespread corruption and bribery in his tax administration were founded. ”Oh yes,” he answered forthrightly, to my surprise. ”It is a large bureaucracy with more than 100,000 civil servants, and sure, many are ready, willing, and able to take bribes. But most of them also realize that the current situation is untenable and are fundamentally opposed to the generally rampant corruption.” He said that the problem is actually that same as that of the taxpayers. It is rather pointless to be the only civil
servant who does not take bribes if one believes that almost everyone else does. The Russian gentleman explained that if he could just find some way to convince the majority of civil servants that most others would stop taking bribes and putting tax revenues in their own pockets, he was sure the overwhelming majority would also be prepared to desist from corruption.

At the time, there was a great deal of coverage in Russian and Swedish papers about the non-payment of wages and pensions that was engendering widespread nervousness across Russia. With that in mind, I asked my Russian friend again whether most Russian citizens realized that if they did not pay their taxes, they would never have proper schools, health care, and retirement pensions? He replied that most Russians understood that very well, but again, most also believed there was no point in being the only honest actor in such a rotten drama. Why should they loyally cooperate with a state they perceived to be genuinely corrupt, and why should they behave honorably when everyone they knew - neighbors, friends, and coworkers - cheated? Who wants to play the part of the village idiot in rose-colored glasses? Or as it is put in the English terminology that dominates the social sciences, ”who wants to be a sucker?” I could not come up with a reasonable counter argument to that. Unadulterated altruism is a rare bird, at least when it comes to paying taxes. Another problem is that in situations like those, no good actually came out of altruistic behavior. Those who loyally kept paying their taxes despite knowing about the general disloyalty in the game fed nothing but the corruption.¹

Certainly, this insight into the state of affairs is as logical as it is grim, and we cogitated over the issue as we made further judicious use of the delights the Ministry for Foreign Affairs had laid before us that evening. But my increasingly interesting Russian discussion partner continued to probe. He wondered whether I, as a political scientist, had any sound theories that could explain the state of his tax bureaucracy and Russian society. I perked up at that and related that, indeed, that is something for which we in the social sciences actually have remarkably good theories. The Russian situation he had outlined was, I was able to say, a brilliant illustration of a phenomenon called by the metaphorical designation the social trap, among many other names. Especially in the expanding area of non-cooperative game theory, it is one of the central problems, that is, how to at all explain how cooperation can be established among utility maximizing actors. Cooperation is based on trust, or to use another

¹ When I wrote this, there were reports in the Swedish papers about the problem of police officers in St. Petersburg supplementing their wages by robbing western tourists and businessmen (DN 2 Sept. 2002). As a
word, confidence. Without trust, I explained, societies, groups, and organizations fall into similar social traps.

**The fine art of driving a taxi in Palermo**

Diego Gambetta, one of the foremost researchers into the question of how to explain the southern Italian mafia and society, has provided one of the best illustrations of the social trap. Gambetta’s case has to do with taxi drivers in Palermo, Sicily. I am sure they are like all other taxi drivers for the most part, but they have one rather unique trait: they do not use their two-way radios and have no use for a dispatch center. According to Gambetta, the reason for this is that when they introduced those newfangled ideas in the early 1980s, the system degenerated into chaos and universal anarchy (Gambetta 1993, p. 220ff).

The utility to taxi owners of a dispatch center that can call taxis over the radio is obvious. Customers need keep track only of one phone number and can be served by the nearest car and thus save time, while taxi owners get more customers and shorter routes. Customers, taxi owners, and the drivers they employ all profit by such a system, which is why taxi owners in most areas of the world have formed alliances and shared the costs of similar dispatch centers even though they are actually in competition with each other. This intriguing example of efficient competition among profit maximizing actors in a market usually presumes a situation in which the actors not only compete, but also agree on certain common institutions, as well as a state of affairs that is not ruled by competition and self-interest, but is rather driven by norms like impartiality and the public good. As rational profit maximizers, taxi owners have a stake in being tough competitors as loyal cooperators in order to create common institutions that benefit them all (cf. Ostrom 1990). Customers who want a taxi call a dispatch center that inquires which driver is closest to the address and when that driver responds, requests him to take the fare.

But they could not get this rather elementary system to work in Palermo as it had in cities like Naples, Rome, and Milan. Gambetta said this was for one simple reason - that in order to get the most fares, most Sicilian taxi drivers lied about how close they were to the places in the city where they were ordered by the dispatch center to pick up fares. Soon everyone knew that everyone else was embroidering the truth, and so everyone added a few more

Swede engaged in the attempt to increase trade between Sweden and Russia expressed it, it is difficult to achieve anything worthwhile under such circumstances.
stitches...and a few more. The dispatch center concept is based on the fundamental but uncertain principle that taxi drivers can be confident that none of the others will say they are closer than they really are in order to get the fare. Such a social norm must be established for the system to work. We can safely say that this is a rational strategy for the collective of taxi drivers as the fares are evenly allocated, for reasons of probability, if all drivers state their locations honestly. But since taxi drivers in Palermo, according to Gambetta, could not trust one another, a snowball of deceit upon deceit started rolling and finally everyone lied, always saying they were "just around the corner" in order to snag the fare. Taxi driver A gives his location, B waits to hear it and then says that he is a little closer, whereupon C calls in and says he is even closer, and so on.

Gambetta says there is no incontrovertible evidence that many taxi drivers cheated this way, but the very belief held by the majority that "most drivers" cheated was enough to break down the system as increasing numbers chose to leave the organization. Gambetta concludes that without trust, there is no possibility to establish a cooperative equilibrium (1993, p. 224). That lack led to the closure of the dispatch center and taxi drivers instead had to wait in line at taxi stands around the city, got substantially fewer fares and had to drive farther every time they picked up a customer. The social trap had snapped shut around them. Suspicion had led them all into a lose-lose situation, despite the fact that they all understood that everyone would have profited if they had trusted one another.²

How do you get from Moscow to Stockholm?

I held forth for some time, giving other examples of this fascinating theory, even though it had until then played a somewhat obscure role in own consciousness, in part because it was frequently presented in an intricately mathematized and thus, for me, rather inaccessible form (cf. Scharpf 1997). However, a number of recently published papers within that theoretical direction but with a distinctly empirical orientation, including by the American political scientists Gary Miller, Elinor Ostrom, and Robert Putnam, had increasingly piqued my interest in the phenomenon (Ostrom 1990; Miller 1992; Putnam 1993). Why did the extent of

² When asked why this happened in Palermo, Sicily and not in Rome, Milan, Oslo, or Naples, Gambetta gives the following answer: "Det är inte bara en cliché att den sicilianska kulturen uppmuntrar människor att se konspirationer även i slumpartade händelser. Om en förare hade haft tur och fått några extra körningar under en dag, så skulle de andra förarna nästan automatiskt dra slutsatsen att han fuskade" (Gambetta 1993, p. 224).
interpersonal trust and the capacity to establish what some economists call "efficient" institutions (everything from local taxi dispatch centers to all the institutions of states governed by rule of law) vary so widely among different societies, regions, cities, and individual organizations (cf. Myhrman 1994)?

Anyway, on behalf of my Russian conversational partner, I rolled out large parts of the theoretical and empirical arsenal that social science could contribute towards explaining the situation in which he and all of Russian society then found themselves - one of widespread corruption, lawlessness, mafia control, and crippled public welfare programs. I must admit that I felt rather pleased with myself, especially because the Russian tax official nodded in agreement at many points during my rather lengthy monologue on these matters. But then he asked a question that in one blow stripped me of answers and gave me the basic theme of this book. "Tell me, Professor Rothstein," he said, "now that we know all of this and have all of these marvelous theories and intriguing studies, what should I do to make Moscow like Stockholm?"

I was at a loss for words. I had never thought along those lines and I immediately realized, not without some embarrassment, that social science can offer no answers on this issue that are in the least reliable and even fewer that are useful in practice. We have excellent models for explaining static situations, systematic corruption, and various forms of trustful cooperation over time, but there are no useful models for explaining what causes a change from one state of affairs to another. How can you get people who have long harbored deeply rooted mutual suspicion to suddenly begin to trust one another and cooperate loyally for the common good? Why should people with longstanding and thorough experience of the untrustworthiness (evil, duplicity, cruelty, etc.) of "other people" suddenly begin to rely on one another? In a game like this, trust is not just an empty gesture or a personal preference. It is a matter of fundamentally changing a worldview to one that says other people will also act in solidarity and cooperate, e.g., by giving up tangible resources (paying taxes and refraining from taking bribes). It is not simply a matter of changing values, either. People who take bribes or evade taxes may simultaneously hold values by which they actually consider what they do to be morally wrong and harmful to themselves over the long term. The reason they continue to act treacherously or opportunistically is not necessarily that they (or their culture) suffer from some kind of moral defect, but rather that there is no point in being the only

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3 An unusual experience, I must admit.
honest player in a rotten game at which everyone else cheats (or are perceived to be cheaters). The act of trusting people who cannot be trusted can also be very risky.

According to the logic of the social trap, even people with clear preferences for "fair play" will continue their disloyal behavior because they believe, and for good reason, that almost all "other people" are going to keep playing dirty. And again, this is not because most other people are actually evil and fundamentally disloyal, but because they know that everyone else cheats. Thus, changing the situation is a matter of changing the worldview of large groups of citizens about the kind of society they live in and how people might conceivably act in that society. Therein, we have captured two of the central insights of non-cooperative game theory, which will dominate this book. Firstly, political and economic actions should be understood as strategic in the sense of what we do depends on what we believe "other people" are going to do. Secondly, that the end result of individual rationality may very well be collective irrationality (Lichbach 1997). Any group of agents risk being trapped in a non-cooperative equilibria even though they all realized that a more cooperative equilibria would bring welfare gains to all of them. As Per Molander has argued, this is in fact a deathblow to every type of idyllic notion that rational agents without coordination can establish efficient equilibria (Molander 1994, p. 84).

A central thesis of this book is that in order to escape or avoid social traps of this kind, actors must have access to a particular resource, a special kind of capital that the social sciences have given an increasingly accepted designation: social capital. There are multiple definitions of social capital and that which differentiates it from other assets like physical capital and human capital. One of the most familiar was launched by the American political scientist Robert Putnam, who says that social capital is made up of individual participation in formal and informal social networks, norms of reciprocity, and interpersonal trust (Putnam 1993, p. 187). The greater the supply of social capital, the smaller the risks that people will end up in social traps. The problem with Putnam’s definition of social capital is that it is not particularly precise. It encompasses a behavior (participation), an attitude (trust), and a social norm (reciprocity). Later in this book, I will argue that the vital qualitative ingredient in the concept of social capital should be the extent of trust in other people in the society or organization within which individuals act. According to that view, reciprocity and participation in social networks are the results of individual worldviews and beliefs about whether are reliable and should be embraced in trust.
This social capital is the asset that individuals, groups, and societies need to avoid social traps. Social capital differs from physical capital (tools, buildings, etc.) and human capital (knowledge and skills) in many respects, not the least of which is that it cannot be owned or possessed by individuals. Daring to trust others and to be someone whom others can trust and means that social capital must always be seen as relational, i.e., it has to do with how the actors perceive their interpersonal relationships. Accordingly, social capital cannot be ordered into existence or easily produced because it is a matter of individual worldview. It is an asset to be perceived as a trustworthy person by others, and it is also an asset to have a network of many other trustworthy persons, i.e., people whom you believe you can trust. Likewise, being the only person who trusts others in a group of social opportunists is a less than wise strategy. We will be returning to the problem of social capital many times in this book, but for now, let us return to Moscow.

On the difficulty of seeing what does not exist

The following days were full of reflection and contrition. The power of my Russian friend’s dilemma (shared by all of Russian society) was suddenly clear to me. I also realized that the problem of the social trap did not apply exclusively to Russia, but as well to all of the former Soviet empire, not to mention the developing countries with their persistent poverty (cf. Rodrik 1999). My lecture at the embassy about such remarkable phenomena as universal child benefit, an active labor market policy, and a parliamentary ombudsman in a public sector that encompassed more than half the gross domestic product must have seemed exceedingly odd to my Russian listeners, considering that I devoted not a single word to issues like bribery and corruption. It was also entirely clear to me that a great deal of the research I had done and been involved in to that point and which had to do with Swedish social, labor market, and education policy was based on two tacitly accepted premises, i.e., circumstances that I and my colleagues in that research direction had taken for granted, but which we should have analyzed and problematized. First, the existence of fundamental trust in ”most” other citizens in Swedish society. Second, the belief that public administration may certainly be both complex and bureaucratic, but that it is not being eroded by corruption to any significant
extent. In our defense, it is not easy for the research community to study that which does not exist, but from a comparative perspective it should have been clear to us that these were core issues (cf. Blomkvist 1988).

Much of this welfare state research has involved the attempt to explain differences in the scope and direction of welfare and social policy in the OECD countries. The problem may be described as follows: How should we explain the great variations in social and welfare policies among these countries that are otherwise rather similar in terms of socioeconomic conditions? When all is said and done, Sweden, the United States, Denmark and Belgium, Germany and Japan are all western, capitalistic, industrial, patriarchal, democratic, liberal market economies. Given the structural logic of the market (or that of the class struggle, the gender struggle, etc.), these countries should have developed rather similar social insurance and social service systems, but they have not. On the contrary, national public policies in these areas so critical to the civic welfare have evolved very differently. A battalion of international welfare state and social policy researchers has devoted extraordinary effort for the past thirty years or so to describing and attempting to explain these differences.

Researchers in the Scandinavian countries have primarily emphasized the symbiosis between strong unions and social democratic parties. Some have added to the mix the existence of certain unusual political institutions that favored the inception of a general welfare policy. But after my long conversation in Moscow, it became clear to me that we who are engaged in this research have failed to see an important piece of the puzzle that is the building of the Scandinavian welfare state, i.e., the lack of significant corruption and the high level of interpersonal trust in Scandinavian societies. It seems utterly unreasonable to think that it would have been possible to shape opinion in favor of transferring such large economic resources to various public welfare administrations if the people had strongly believed that those administrations were basically corrupt and/or engaged in systematic abuse of power. It seems equally unlikely that it would have been possible to create these comprehensive social insurance systems if citizens were convinced that most other citizens abused or cheated the taxation or distribution systems.

This illustrates one of the difficulties of conducting social scientific research, that of studying what does not exist. In general, this is categorized as counter-factual history, in

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4 In his novel *The Red Room*, the Swedish author (of all times) August Strindberg gives a famously negative depiction of Swedish bureaucracy in "*The Civil Service Department for the Payment of Wages to Civil Servants.*" However, the salient point from the perspective of this book is that bribery and corruption are not part of Strindberg’s depiction. I believe that if bribery and corruption had been generally accepted, Strindberg would certainly have included it in his description of the civil service bureaucracy that he found so abhorrent.
which questions like “what would have happened if...?” are asked. These “if...so” questions can sometimes be less meaningful (what would have happened if Napoleon had had access to nuclear weapons at Waterloo?), but properly used they are an important element of research because they indicate potential lines of development that could have been entirely logical. In particular, counter-factual thinking constitutes one of the cornerstones of comparative policy research in political science. In that area of research, which compares the political systems and public programs of different countries, the relationship between various institutions and policy outcome is a central issue. What would Swedish policy have been like if we had, for instance, had a constitutional court or a system of majority election in single-member constituencies? The problem is that there are a great many possible institutional policy arrangements, but considerably fewer countries with which meaningful comparisons can be made (Rothstein 2001). As a result, methodology in this kind of research must be based on theoretical clarifications wherein effects are deduced, rather than on empirical induction (Scharpf 1997, p. 15ff). If interpersonal mistrust and widespread popular suspicion of authorities based on corruption or discrimination are much more common around the world than the opposite, it becomes interesting to ask two questions in order to deepen our understanding of Swedish policy. The first is counter-factual: What would have happened if Swedish policy had been characterized by the kind of interpersonal mistrust and corruption illustrated in my conversation in Moscow? Secondly, what is the origin of the relatively high level of trust that Swedes feel in each other and in their public agencies? These two conditions have been taken for granted, both in Swedish policy and in Swedish policy research.

A possibly true story set in Rome, sometime in the 1960s

Allow me to give a specific example of this weak spot in our thinking. Along with many other Swedish researchers, I have studied Swedish labor market policy, for sound reasons, including its large scope from an international perspective. The labor market policy has also constituted a central component of the Rehn-Meidner model, a unique macroeconomic model that dominated Swedish economic policy from the late fifties well into the eighties. A great deal has been written about the origin and function of the model, but it can be concisely described as a means of combining the Swedish Trade Union Confederation’s need for uniform wage
development (in a wage policy based on solidarity) with the creation of strong pressure to structurally transform industry in order to stimulate economic growth. Instead of allowing the financial strength of individual firms or industries to determine local wage demands, the demands were made progressively more uniform. The consequence was that less efficient firms and industries that unable to pay wages at the uniform, centrally determined level were eliminated, while expansive firms/industries could earn large profits, most of which they were forced by the tax policy to use for further expansion. The policy provided several advantages to unions, primarily with respect to the internal wage policy. It also benefited the social democratic governments that wrested control over inflation because they were able to pursue an austere finance policy while harvesting the fruits of strongly increased economic growth.

The only real problem was how to manage the labor force eliminated by structural rationalization, i.e., the people who lost their jobs. The idea was that it would be possible to transfer those people to the type of expansive industry favored by the prevailing wage policy. According to the "inventor" of the model, this required a comprehensive public labor market apparatus supplied with extensive administrative and financial resources. Through various "active" measures (employment offices, subsidies of moving costs and travel for job seekers, vocational guidance, and vocational training), redundant labor could be transferred to new employment. In his memoirs, Tage Erlander describes the crucial meeting between party and STUC management at Harpsund in 1955, when he became persuaded that the model was feasible:

For the first time, I declared my support for the Meidner-Rehn labor market policy. Before then, I had been concerned that it would hasten the closure of companies compelled by free market economizing. But if the mobility-creating policy did not only increase mobility in the labor market, but also led to more socially aware use of our capital assets, if, in other words, the labor market policy gained a stronger selective element, then my fears were erased (Erlander 1976, p. 41).

The catch was how to gain legitimacy for such a large initiative in such a comprehensive administrative body, which would also have far-reaching power over the employment conditions of many individual wage earners and thus also their living conditions. Or as it was put in a report to the Social Democratic Party Congress of 1952: "...of delicate nature and far-reaching significance to many population groups" (cit i Rothstein 1986, p. 137). For the entire thing to work, an ordinary, rulebound civil service bureaucracy was out of the question; experience gained from the labor market policy of the 1930s and the massive mobilization and labor shift during the war years made the point exceedingly clear. Instead, what was needed was a body that, relatively liberated from precise rules and regulations, could rapidly
intervene in the often highly flexible labor market, both nationally and locally. The labor market as a policy area demands flexibility on multiple levels, as fluctuations in the rate of change, nationally, regionally, locally, and by industry can be substantial. The problem of legitimacy was to a great extent solved by creating an organizational form based on ideological support, i.e., a ”cadre administration.” This took expression in several ways, including the abandonment of recruiting based on merit. Personnel were instead recruited from the union movement. Then Minister for Health and Social Affairs Gustav Möller’s statement in the Riksdag in 1942 that academic merits should not necessarily be seen as a barrier to employment by the new agency (Rothstein 1986, p. 106) became legendary, especially within the Labor Market Board.

Swedish labor market policy was successful in many respects and sparked widespread international interest starting in the 1960s. One indication of that interest was that one of the creators of the model, union economist Gösta Rehn, was appointed head of the OECD’s department of labor market and social policy, a position he held from 1964 to 1974. From that position, he attempted to export Swedish labor market policy, an effort at which he enjoyed considerable success. Countries like West Germany, Great Britain, Norway, Austria, and France were inspired to partially restructure their labor market policies according to the Swedish model. He was not equally successful everywhere, however. I was told by Ingemar Ståhl, Rehn’s assistant at the OECD office in Paris at the time and now professor of economics, that Rehn and Ståhl had come so far with the Italian program that Italian government officials in Rome invited them to come and present their model for how a rational labor market policy should be organized. Their Italian hosts thought that everything looked very interesting in the model world, but when Rehn broached the subject of how it should all be organized, they began to smile.

As Rehn expanded on his model in ever greater detail and stressed how important it was that the new and expansive labor market agency should not only have large financial means at its immediate disposal, but also that the agency, subject to no central direction or control, should be able to allocate funds according to its evaluation of the state of local and regional labor markets in various industries, the smiles of his Italian hosts began turning into grins. Gösta Rehn became perplexed and somewhat irritated about, as it seemed to him, not really being taken seriously concerning what he considered a crucial matter. Finally, he was compelled to ask what his Italian hosts thought was so entertaining about his presentation. The answer was immediate. Could he imagine what would happen if such an apparatus was turned loose in places like Naples and Palermo? It would quickly fall under the control of
organized crime, either through the mafia taking direct control over the organization or indirectly, in that its vast resources combined with the discretionary power of the administration would turn the agency’s activities into a cash cow for the mafia.

Research on political corruption is extensive and several leading researchers point out that the occurrence of that type of administration is among the structural conditions most favorable to the emergence of corruption (della Porta and Mény 1997, p. 176f). An active labor market policy of the Swedish type was never instituted in Italy. Rehn and his assistant, somewhat crestfallen, had to travel back to Paris having achieved nothing other than having provided considerable amusement to the Italians and probably thinking a stray thought or two about gullible Scandinavians. They had not considered that there was an institutional premise, as important as it was implicit, that explained why their policy was feasible in Sweden, but not south of the Alps.

The logic of the social trap

Psychologist John Platt invented the concept of the social trap, a metaphor he coined in a paper published in 1973 (Platt 1973). The social trap may be considered an umbrella term for a number of strategic situations that social actors find themselves in, in which the central element is that their behavior is determined by their assessments of the future action of others. The logic of the situation may be described as follows:

- **The situation is such that “everyone” wins if “everyone” chooses to cooperate.**
- **But – if people cannot trust that “everyone else” will cooperate, it is meaningless to choose to cooperate, because the end is contingent on cooperation by almost everyone else.**
- **Thus, non-cooperation may be rational when people do not trust that others will also cooperate.**
- **Conclusion: Efficient cooperation for common purposes can only come about if people trust that other people will also choose to cooperate.**
- **Lacking that trust, the social trap will slam inexorably shut. That is, we end up in a state**
of affairs that is worse for everyone, even though everyone realizes that they would profit by choosing to cooperate.

The problem has also been called the social dilemma (van Lange, Liebrand et al. 2000). Garrett Hardin’s 1968 essay, *The Tragedy of the Commons*, which addresses the subject of how we should understand the environmental problems of the world. He uses a metaphor involving the fate of a “commons” open to all herdsmen. If every herdsman looks out only for his own interests and allows his cattle to graze to the maximum extent possible, the commons will be depleted and ruined, unable to reproduce more grazing land in future. It is thus in everyone’s interest to limit the use of resources, but if the herdsmen cannot create a system that allows them be confident that all herdsmen will exercise restraint, there will be no reason for the individual herdsman to limit his use of the common resource.

We have just illustrated the three central foundations of the game theory approach that will guide this work. The first is once again the central difference between individual and collective rationality, i.e., that which is good and advantageous for the individual may be extremely deleterious to the collective and thus over the long run also harmful to the individual. The second is that we should presume that political and economic actions are strategic, meaning that what people do depends on what they believe others are going to do. The third is that the notion so common in social scientific theory, that human action should be understood as the result of rational utility maximization, is no help when it comes to predicting whether or not the jaws of the social trap will close. Whether or not an action is rational, in one sense of the word or another, cannot in these types of situations be determined based on individual preferences, but is rather determined by the social context. It may certainly be rational to choose non-cooperation if one has reason to believe that the others are not going to participate. But if one has reason to trust that others are going to contribute, it may be rational to cooperate and act in solidarity. This trust or non-trust in the others is, as I will show later, often historically and/or culturally determined. This theory allows us to link two social scientific discourses that are usually widely disparate: those which stress the importance of historically established social and cultural norms and those which emphasize the importance of human strategic actions and choices.

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5 If I have understood the matter correctly, this is a highly topical problem in reference to the impact of Swedish reindeer husbandry on mountain pastures.
Two sides of the theory of game playing

Allow me to begin with a reservation and a clarification. When many social scientists hear the term game theory, they associate it with two things they generally consider worthless. The first is the complicatedly mathematical, formal analysis of social scientific problems. The second is the premise that human action corresponds to the self-interested utility maximizing “homo economicus” (i.e., what I will be calling here the rationalist approach). They often put down the books at that point, and for good reason. However, my view of game theory differs significantly from the usual. To begin with the mathematical/formal aspect, it is true that the absolutely overwhelming majority of game theoretic analysis (and increasingly, economic theory in general) is of that type, and consequently is often obscure to those who do not understand the “language” (cf. Scharpf 1997, p. 15). However, the basis of my analysis is that there are two sides to game theory, one mathematical and one cognitive. As I understand it, it is rather unlikely that anything really useful is going to emerge from the mathematical aspect of game theory. The likelihood of a breakthrough on the mathematical side of the theory, e.g., of the kind for which Nobel laureate John Nash became famous, must be judged negligible. However, I believe that research on the cognitive and psychological side of game theory is only in its infancy. That is, if what people do depends on what they believe others are going to do, the question of how those images and beliefs about the others enter human consciousness and how they are reshaped into political actions becomes the very crux of the matter (Denzau and North 1994; Rothstein 2000).

From that perspective, the critical issue in game theoretic analysis becomes: Who are the others (tax bureaucrats, social workers, the Serbs, the police, the Hutu, the Palestinians, the loyalists, the Maronites, the middle-aged heterosexual male professors) and what can I or we expect of them? Can they be trusted, are they going to respect me and my rights, or should they be regarded with varying levels of mistrust? In the Russian example above, the issue is of course the public opinions about tax officials in particular and the public bureaucracy in general. To take a few other examples in which this issue can literally be a matter of life or death, I can, as suggested above, mention places like Northern Ireland, the Middle East, Rwanda, and much of the former Yugoslavia.

However, such drastic examples are not required to illustrate the importance of the cognitive side of game theory. We have all found ourselves in situations within organizations or work teams where it was obvious that everyone would have gained if everyone had pitched in and made an effort to contribute. But it is no fun to discover that you are the only one living up to
that requirement while the others shirk their obligations. When people discover this, they tend to curtail their effort. Personal loyalty depends on how we perceive the loyalty of the others.

The second and third points have to do with the self-interest and rationality of the actors in game theory. This is a hotly debated subject, but if we go back to the description of the social trap, we can determine that the presumption that human action is rationally utility maximizing does not help us predict the outcome, because in that kind of situation what people perceive to be rational action is entirely context dependent. As I said, it can be rational to not cooperate, but it can also be rational to cooperate. The choice of strategy depends on how the individual perceives and assesses the likelihood that the others will act in one way or the other. This assessment may come from many different sources, such as personal knowledge about the individuals in question, culturally determined stereotypes, or experience of how the actors have acted similar situations (van Lange, Liebrand et al. 2000). Certainly, there is a special case in the theory which presumes that the rational action is always to choose non-cooperation in order to hitch a free ride on the cooperation of others, but as I will show later, the theory is not sustained by the empirical tests conducted within this theoretical field. Or as one researcher put it, "life is not as ruthless as game-theory predicts." (Stinchcombe 1992, p. 196f).

The problem, however, is general and is certainly not solely about using economic resources efficiently. Even those arranging some exceedingly deserving event (e.g., a demonstration or manifestation for an environmental end, support of resource-deprived groups in the third world or a boycott of chlorine-bleached disposable diapers) will often end up mired in a problem of this nature, i.e., that many may be prepared to participate if they believe that a great enough number of others will also participate. This is not due to self-interest alone. The effect of a demonstration or manifestation that draws only a thin crowd is often the opposite of that intended - that is, the small turnout is interpreted to mean that there is no widespread support for the issue (Lichbach 1995). Quite simply, the goal often requires that a sufficient number support the premise, but most people will only jump on the bandwagon if they believe that most others are also going to come along for the ride. The relationship is the same when it comes to the ethics of the individual civil servant. As Gunnar Myrdal pointed out back in the late sixties in his analysis of the problem of the "soft state" in many developing countries, it is not even unreasonable for the civil servant who otherwise upholds high ethical principles to ask why he should not also take bribes, if all other civil servants seem to be corrupt and getting away with it unscathed (Myrdal 1968, p. 409). In an extensive review of corruption as an economic problem, economist Pradhan Bardan expressed the idea in a similar fashion:
corruption represents an example of what are called frequency-dependent equilibria, and our expected gain from corruption depends crucially on the number of other people we expect to be corrupt (Bardhan 1997, p. 1331). This also makes it difficult to fight corruption, because the government that airs the issue of widespread corruption that must be fought also reinforces the belief that the majority are in fact corrupt.6

But when can the game begin?

The word "expect" is the pivotal factor in the theory, i.e., that people’s actions are governed by what they believe their counterparts are going to do in response to their own actions. In many respects, the idea turns upside down much of social scientific understanding to this point concerning how human actions should be explained, much of which has been based on viewing human beings as determined by structural conditions. If you simply gather enough information about an individual’s circumstances (occupation, income, sex, education, ethnicity, place of residence, shoe size), you can predict her actions. The variant of game theory presented here tells us that human action should not be explained only by such underlying variables, but rather that a great deal is also explained in terms of strategy, i.e., by what individuals believe will be the future reactions to their actions. Anticipation is another key concept, i.e., when people decide to act in one way or another, they have often tried in their decision process to predict the various possible reactions of those around them or their counterparts. While behavioral science (and especially in its behavioralistic form) has regarded the human being as controlled by the past, cognitive game theory sees human action as controlled by what individuals expect "ahead" in time, i.e., how they anticipate others’ reactions to their choice of action alternative (Turner 2001). Thus, economic theories on rationality and incentive are no help here either, and for obvious reason: that which is rational does not have so much to do with self-interest, but is rather determined by the social, economic, and political circumstances that influence our expectations of how others are going to act. If an individual believes that others are also going to act in solidarity and cooperate if

6 There is an abundance of definitions of corruption, as well as a large body of literature that has attempted to classify various forms of corruption. One common definition is that corruption is "the abuse of public resources for private gain, through a hidden transaction that involves violation of some standards of behavior" (della Porta och Vannucci 1999, p. 16).
he does, it is often rational for him to also cooperate. But if he is convinced the opposite is true, it would, once again, be irrational for him to choose cooperation as his strategy.

Thus when it comes to the matter of self-interest and utility maximization, the premise here is that this is not a requisite basis for applying a game theory approach. Analysis of social norms and culturally established beliefs has also become increasingly common in this area (Bates 1997; Levi 1998) because the "game" can begin only when the players have been formed in number and, first and foremost, in their values, norms (including prejudices), cognitive maps, and worldviews (Mantzavinos, North et al. 2002). For this kind of analysis, Fritz Scharpf has used the apt designation "games real actors can play." He means that empirical analysis should not be based on the unlikely scenario of perfectly informed, strictly rational actors upon which a great deal of mathematically oriented game theory is based. Instead, we must consider how real political actors must act when equipped only with incomplete information and limited knowledge about the type of actors and the rules they are dealing with (Scharpf 1997).

The actors’ perceptions, knowledge, information, values, and norms will in certain situations direct them to act according to economic self-interest, but that is far from necessarily always the case. Conversely, I will be arguing later that the likelihood of getting caught in social traps devastating to the individual and the collective increases if the actors base their actions solely on strictly individual notions of economic utility. According to many economists and other social scientists working within this objectively rational theory, most everything in the world will work out for the best through the machinations of Adam Smith’s famous "invisible hand," even if all actors behave only as self-interested utility maximizers. The agents of competition in an open market with unrestricted access to information about the quality, supply, and demand of goods would create prosperity through the generation of incentives for efficiency and rational division of labor. What is forgotten however is that Smith also claimed that when economic agents come together, it does not take long before they create barriers to free competition and open information. The result is inefficient trade barriers in the form of cartels of one kind or another.

The point is that without efficient political and legal institutions, self-interested utility maximizers would, according to Smith, quickly begin to conspire against the general interest of a functioning market. Civil interest in a working market and producers’ interest in profits do not always coincide. Or as so pithily expressed by Jörgen Hermansson: "when acting in your role as citizen, you have, for your own good, to restrain your most intense self-interests" (Hermansson 1990, p. 175). My conclusion from the game theoretic oriented empirical
research to which I will refer later is that there are no solutions to this problem if all actors act only within the boundaries of strictly economic utility theory (Lichbach 1995; Rothstein 1996). Instead, some form of social and ethical norms must govern the actions of the actors if they are to have any chance of avoiding being caught in social traps devastating to them all. The paradox is that a functioning market economy requires that some actors do not act according to market principles of own utility and profit maximization. Kenneth Arrow expressed this well:

…the law itself cannot be regarded as a subject to the price system. The judges and police may indeed be paid, but the system itself would disappear if on each occasion they were to sell their services and decisions. Thus the definition of property rights based on the price system depends precisely on the lack of universality of private property and the price system [Arrow, 1972 #248, p. 357].

Another way of expressing this paradox is that if everything is for sale, it will be impossible to establish efficient markets. We probably have a market for everything, as long as not everything is put on the market. In actuality, a functioning society must consist of different spheres in which different kinds of norms apply. This is easily understood if we look at how we perceive what is correct, ethical action. We generally have no objections if our judges follow the logic of the market when they are acting as private persons in a market. If they are going to buy or sell something, action based on utility maximization is entirely in order. But we consider it worthy of the highest censure if the same judge, in exercising her official duties, lets herself be bought, i.e., takes bribes. Likewise, we find it perfectly natural if the judge, in her private life, shows preferential concern for her family members. We would consider the opposite to be evidence of a lack of social responsibility. But we demand that she does not adjudicate cases in which her relatives have an interest and that she does not show favoritism to certain parties because they belong to a certain social, economic, ethnic, sexual orientation, or other group. Note that we require the same person to understand that different moral codes apply in the different spheres in which she acts. In contrast to Michael Walzer’s arguments, this is not only a matter of the ethics of different social spheres, but rather that we as citizens have the capacity to internalize in our consciousness that we should behave according to entirely different moral codes when we act in different functions, as illustrated above (Walzer 1983; Rothstein 1992, kap. 1).
**Just how serious is the problem?**

There may be reason here to try and communicate an understanding of the magnitude of the problem this book will be addressing. One way of illustrating this is to point out that it can also be called the problem with many names. One is the *provision of public goods*. Since, for instance, a working justice system is a public good that benefits everyone, no one has an interest in privately producing it. There is thus great risk that such public goods will not be produced to an adequate extent. Another name for the problem is the *logic of collective action*. Most renowned is the American political scientist Mancur Olson’s 1965 book on the subject, which dealt in part with unions. All wage earners may have a collective interest in helping form a union, but the problem is that what unions produce is a collective good that will benefit all wage earners, regardless of whether or not they have contributed to the organization (Olson 1965)

I have already mentioned the concept of the *tragedy of the commons*. The *social dilemma* is also used, but the concept that has perhaps most firmly captured the imagination and interest of scholars is that of the *prisoners’ dilemma*. The metaphor, which dates from the 1950s, comes from a most likely fictional story in which a police chief has arrested two perpetrators suspected of having committed a serious crime together. However, the police chief has no forensic or other evidence, so he has to try and induce a confession. To do this, he puts the villains in separate cells so they cannot communicate. Each is then given the following offer: "If you confess, but your partner denies committing the crime, you will go free. If your partner confesses and implicates you, but you deny it, you will be given a long prison sentence. If neither of you confess, I will put you away for some minor offense and you will be given a relatively short sentence. If you both confess and implicate each other, you will both get a long sentence, but since you have cooperated with me, I will ask for a substantially shorter sentence than I would have had you remained silent.” Thus, both criminals know that if they both remain silent (i.e., cooperate loyally with one another), both will get off easy. But since they cannot mutually trust that the other will remain silent, the best individual strategy would be for each to defect and implicate the other (Morrow 1994, p. 78f). So, the story ends with the police chief having secured a confession from both for the crime he suspects them of committing. One might say that the prisoners’ dilemma is a metaphor for the problem of social traps in their most obvious and extreme form, which may be why it has so securely imprisoned the imaginations of researchers (sic). The kind of problem we are dealing with
here encompasses many more than two players, for which reason it is often called the *n*-prisoners’ dilemma.

I have chosen the metaphor of the *social trap* because I believe it expresses two elements of the problem that I consider especially important. First, that actors in a strategic situation where they can choose cooperation or non-cooperation may end up in a situation that is most disadvantageous to them all, or to use an even more graphic expression, a pathological situation, without any of them having intended that result (Elster 1989). This may, e.g., happen quite simply by mistake when something that actually an attempt to cooperate is misunderstood by the counterpart, who perceives the action as deceitful or threatening and answers in the same coin, escalating the situation into a social trap. It may also arise when there are leading political actors who control the flow of information and who, out of pure self-interest, choose to concentrate only on negative information about the other group’s intentions (Hardin 1995; Kaufman 2001). This kind of strategic control and manipulation of the flow of information about *the others* is one of the main features of many of the violent ethnic conflicts that have shaken the world in the late 20th century (cf. Bates, de Figueiredo Jr et al. 1998).

Secondly, the term "trap" in this metaphor refers to the bitter fact that once a group, an organization, or a society has ended up in such a state, it is usually very difficult to escape. To breach an enduring social trap would require (almost) everyone in a group of people who have mistrusted each other for a long time to begin (almost) immediately to trust one another (Elster 1989, p. 26). Trust is a very special psychological variable. One of its peculiarities is that it (like innocence) seems very difficult to recover once it has been lost. Another problem is the following: However rational it may seem, it is impossible to decide to forget something like an injustice or a betrayal of trust.

Most mathematically oriented game theoreticians shake their heads dolefully when asked how people can get out of social traps, or to use their terminology, "suboptimal equilibria" (Bendor and Mookherjee 1987; Bendor and Swistak 1997). Such equilibria that are destructive for all parties are, they say, "extremely robust.” In our discussions, my Polish-born friend and mathematically minded colleague in this field, Piotr Swistak, has a habit of saying somewhat provocatively that it is a typically Swedish syndrome to believe that for every social problem there must also exist a working, as well as normatively appealing, solution.

The problem of the social trap is a kind of meta-problem under which many important social and organizational problems can be categorized (cf. Ostrom 1998). Take the following example: Most environmental problems related to excessive use of natural resources are of
this nature. We all have an interest in clean air and water, but if I do not believe that the others will limit their driving or sort their rubbish for recycling, I have no reason to be the only one who behaves in an environmentally sensitive manner. All commercial fishermen working along a coastline know that if they do not limit their catches, the fish - and thus the industry - will die out, but it is rather pointless to be the only commercial fisherman who behaves responsibly if all the others are casting their nets with abandon (Acheson and Knight 2000). Another problem applies to wage increases in a labor market with strong unions. Every union leader knows that everyone gains by wage trends that are not strongly inflationary. But if they cannot get any assurances that other unions will act responsibly, union leaders cannot defend moderate action to the rank and file (Elster 1989, p. 19).

In certain respects, Scandinavian-style general welfare can be viewed from this theoretical perspective. There may for instance be broad acceptance of paying taxes for things like universal health coverage and unemployment insurance. But if the belief spreads that many people receiving disability or unemployment benefits are not actually sick or unemployed at all, but rather prefer not to work for purely selfish reasons, there is reason to presume that there is a lack of solidarity with the system. The solidarity upon which the welfare state is built is in all likelihood conditional, i.e., based on confidence that the institutions within the system are such that they do not invite widespread cheating. Should this trust in the institutional functions of the system be undermined, they may break down even though a large majority may believe that general social insurance programs of that type should exist (Rothstein 2001)

There are fascinating analyses of the fall of entire civilizations based on this theme, such as of the fall of the Roman Empire. In his book on the correlation between corruption and the fall of Rome, Ramsay MacMullen emphasized the onset of the purchase and sale of military and other public services. People with little or no competence came to hold important offices and they used those offices for their own gain instead of acting according to prevailing orders and ensuring the general interests of the state. One result of the privatization of public offices was that military officers became more interested in making illegal profits from their offices instead of enagaging in battle. For examples, instead of putting military stratetic considerations first, they positioned their troupes where the possibilities for extorting the civilian populations were most favorable (MacMullen 1988, p. 192). It became particularly difficult to maintain the provisioning of army camps because the supply lines had become progressively less reliable due to burgeoning corruption (s. 177). The consequences for Rome’s military capacity and ability to protect its borders were, according to MacMullen,
severe (cf. Molander 1994). One of the most prominent historical figures in political philosophy, secretary of the Florentine Republic Niccolo Machiavelli, devoted much of his writing to the problem of that kind of corruption (see especially Discorsi, first volume, chapters 16–18), taking many of his examples from the fall of the Roman Empire. A central theme in Machiavelli’s 16th century thinking on the problem is that the very best of laws and political intentions are worthless if the political culture is tainted by corrupt habits among the governing and the governed (Bonadeo 1973, p. 19).

Many grave ethnic conflicts can also be described in part within this problem scenario. Both groups have an interest in avoiding conflict, but to do so they must be able to trust that the members of the other ethnic group will not subject their own members to systematic discrimination (e.g., in the schools, health care system, justice system, and the labor market) or out-and-out persecution. But if one ethnic group cannot rely on the other ethnic group to behave according to and respect universal principles of equal treatment and non-discrimination, it is pointless for the first group to do so. To cite an extreme (but sadly not at all unusual) case, it may seem rational to try and ethnically cleanse the neighboring village today if you are entirely convinced that the villagers are waiting only for reinforcements in order to attack your own village the next day (Peterson 2000; Gross 2001).

If minority groups expect systematic discrimination, there is also a reasonable logic to be found in either demanding various forms of quotas for political and administrative offices, or, in more extreme cases, a separate state (or, like the Catholics in Northern Ireland, be allowed to switch states). This is the case if the leader of an ethnic group is convinced that the members of his group will be systematically discriminated against by the ethnic group that dominates public administration, and which decides in individual cases how to allocate various benefits and services (e.g., admission to university, distribution of health care, etc.). This applies especially in the school system, where ethnic or other groups often demand full control over instruction and that “their own” teachers must run it. The likely explanation for this is that it is within the school system that the cognitive worldviews of future generations are shaped.  

The list could go on at length with examples taken from, e.g., organization theory (Miller 1992; Kramer and Tyler 1996), research environments (Bennich-Björkman 1997), fresh water

7 Swedish politics is by no means an exception here. One example is the rising scope of religious private schools in which parts of the curriculum are replaced to fit the history and ideas of the group. Another is the school of fine arts in Stockholm, where feminist students are protesting being taught by men because “we want to be able to identify with our teachers.” The banners held aloft in their protest march read “fight the old boy phlegm” and
resources (Ostrom 1990), and agricultural environmental initiatives (Lundqvist 2001). There is yet another reason the problem of social traps is so grave, which is that social traps constitute what are called in game theory "stable but inefficient equilibria," i.e., states that are clearly bad for everyone, but where no individual actor has any incentive to change things. Empirical evidence shows that perceptions of the others are highly stable and difficult to change. These cognitive or mental maps are often included in enduring cultural socialization processes, where they will strongly characterize the worldviews of individual actors with respect to things like the honesty and competence of state institutions or whether it is reasonable to trust other people in general or specific groups of people in particular (Denzau and North 1994). Yet another problem enters the equation here. It has been shown that the transition from an "efficient" equilibrium to an "inefficient" equilibrium in areas as disparate as organization theoretic research and research on the origins of ethnic conflicts can take place with a kind of catastrophic logic. That is, once confidence and trust in the others is destroyed, the transition from cooperation to a social trap takes place very quickly, in what can be most closely likened to an epidemic process, or more metaphorically, as a snowball effect (Sitkin and Darryl 1996). In the field of conflict studies, this is usually referred to as the sometimes grimly escalating spiral of violence.

**Social traps and political institutions**

Especially in relation to research on developing countries and their often persistent or even worsening poverty, there seems to have emerged something of a consensus among political scientists, economic historians, and economists that the problem can be explained by the lack of what this theory calls efficient institutions, i.e., institutions that enable trust and confidence to be established in organizations and societies (Gunnarsson and Rojas 1995; Blomkvist 2001). An easy way to understand this type of institution may be to look at them like the referee institution in sports like soccer. In this activity, there are naturally conflicting interests between teams, as both teams clearly want to win. But they also have a common interest in establishing an impartial and uncorrupt group of referees, as it is meaningless to play soccer

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8 In purely technical terms, there are many different types of such equilibria. In this book, the term refers to that which is referred to in more mathematically oriented game theoretical literature as a "Nash equilibrium," i.e., "a pair of strategies that are best replies to each other on the equilibrium path" (Morrow 1994, p. 351). The situation

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the group was particularly opposed to being taught by men with incipient "male pattern baldness and beer bellies." See Dagens Nyheter 12 Sept. 2001.
against a team that has bought the referee or if the referee is systematically partial for other reasons. This can be compared to a market where buyers and sellers have conflicting interests in the outcome of the transaction, but a common interest in the existence of legal institutions that can impartially settle disputes. If one party has illicitly usurped advantages vis-à-vis these institutions, the other party will in all likelihood be reluctant to enter into contracts in the first place. "Efficient institutions” are institutions that, to use an economic term, reduce transaction costs between parties with a mutual interest in interacting in repeated sequences, even if they have conflicting interests in the specific transaction. Transaction costs are costs that arise outside the actual exchange, e.g., to establish and uphold contracts (Williamson 1987).

This has to do with the establishment of the institutions that we generally associate with the concept of a state governed by rule of law and with the general extent of corruption in public administration. One important communicator of this insight is economic historian Douglass C. North, the 1992 winner of the prize in economics established by the Swedish Central Bank in memory of Alfred Nobel. His theory, like all other pivotal social scientific theories, is rather simple: In a society with non-existent, unreliable, and/or corrupt political institutions, entering into and upholding the kind of agreements that constitute the foundation of transactions in a market economy becomes very costly for individuals (North 1993). For that reason, any number of production and trade agreements advantageous to all parties are simply never made. The quality of political institutions ("Quality of Government”) has increasingly emerged as a central explanatory factor behind economic growth. Or, as said in the conclusions of a research report that encompasses an empirical study of almost 160 countries: “Rich countries have better political institutions than poor countries” (La Porta, Lopez-de-Silanes et al. 1999, p. 40). The problem is largely one of economics. Efficient institutions in the sense referred to here are not cheap; it takes fairly hefty tax revenues to establish them. However good its intentions, it is not easy for a government to persuade the citizenry that they should accept paying higher taxes today to an inefficient (corrupt and/or incompetent) state establishment so that a more competent and efficient establishment can be created in the future. Inducing people to make the transition from mistrust to trust is probably one of the more difficult tricks in the world of politics. As an expert on economic conditions in Latin America expressed it:

is thus one where none of the actors can improve his situation by undertaking a unilateral change of strategy (cf. Hermansson 1990, kap. 4).
I don't think there is any more vital issue in Latin America right now....It's a vicious cycle that is very hard to break. People don't want to pay taxes because they say government doesn't deliver services, but government institutions aren't going to perform any better until they have resources, which they obtain when people pay their taxes (Rother 1999)

Naturally, there is a relatively simple medicine to cure this ill: the establishment of efficient political institutions. But that is easier said than done, for who is supposed to build those institutions in an otherwise thoroughly corrupt system? We will return to this fundamental problem several times, as it has proven to encompass many problems that are theoretically fascinating as well difficult to resolve in practice. The theory makes it sound so easy: create institutions that provide an incentive system in which individual fear of discovery (of e.g., tax evasion or corruption) becomes greater than individual greed. The standard economic model tells us that when the fear of discovery and punishment outweighs greed, things go well for the society. By way of introduction, the problem of creating such institutions for reward and punishment can be illustrated with the question of where we should pick roses in a place where no roses grow. Mancus Olson skillfully described the gravity of the problem of poorly working political and legal institutions in his most recent paper, in which he addresses the problem of why the gap between the rich and poor countries in the world is widening instead of narrowing, as predicted by purely economic equilibrium theory.

...the large differences in per capital income across countries cannot be explained by differences in access to the world's stock of productive knowledge or to its capital markets, by differences in the ratio of the population to land or natural resources, or by differences in the quality of marketable human capital or personal culture. Albeit at a high level of aggregation, this eliminates each of the factors of production as possible explanation of most of the international differences in per capita income. The only remaining plausible explanation is that the great differences in the wealth of nations are mainly due to differences in the quality of their institutions and economic policies (Olson 1996, p. 16)

The human cost in terms of poverty and misery in countries with poorly working political and legal institutions is enormous, if Mancur Olson’s thesis is correct. The latest report from the United Nations Development Program addresses the correlation between political and administrative institutions and poverty. Much of the report is a distressing account of how the differences between the world’s countries are growing rather than shrinking. There may be reason to recall that it was not so very long ago that the well-known economic historian Alexander Genschenkron claimed that the poor countries of the world possessed one great advantage – they could just duplicate the institutions proven to work well in the successful countries and in so doing, avoid the costs incurred by the latter through trial and error.
Dani Rodrik, a well-known economist in these contexts wrote in a report to the International Monetary Fund on the relation between institutions and economic growth that the intersection between the neo-classical economy and the developing countries helped lay bare the institutional foundations upon which market economies are based, which "economists usually take for granted, but which are conspicuous by their absence in poor countries" Among the conditions he mentioned were the state governed by the rule of law and all of its institutions, as well as political institutions that could engender "trust and social cooperation," manage risks, and prevent social conflicts (Rodrik 1999). We might believe that these problems of corruption have been given great consideration in practical aid policies, but we would be wrong. The highly regarded Handbook of Development Economics published in four volumes between 1988 and 1995 never mentions corruption anywhere in its more than 3,000 pages. Organizations like the World Bank and the International Monetary Fund have only begun addressing the problem in the last few years (Easterly 2001, p. 223).

Naturally, corruption exists to a greater or lesser extent in all countries. What I mean here are situations when corruption becomes systematic to the point that you can talk about it as part and parcel of the political and administrative culture. These are situations where all or parts of the public machinery are taken over by corrupt networks and where interactions between citizens and civil servants routinely include some form of bribery (Karklins 2002). In its latest report on the current situation in Bosnia Herzegovina, the United Nations Development Program reports the results of a survey study that shows that between 60 and 70 percent of respondents believe that corruption exists in the health care system, justice system, and the media. Slightly more than half believe corruption also exists in the various UN bodies working within the region. The report states that:

For the average citizen, therefore, it seems that corruption has broken down all barriers and dictates the rules of life. That is not very different from saying that they interpret life in terms of corruption. As long as bureaucratic practice remains unreformed and there is a lack of transparency and accountability in public business, this will continue to be the case. People will use whatever mechanism they think will bring them an advantage and those in office will take advantage of that in their turn. Eradication thus involves not merely official and political authorities, but all relevant institutions and actors in the public themselves (UNDP 2002, p. 27).

As indicated by the economic and political difficulties in, e.g., Russia, establishing a working market economy solely by privatizing previously state-owned assets has proven fraught with not insignificant difficulties. The "economic shock therapy" that some economists prescribed seems to have been based on an assumption that efficient political institutions would by some functional (or magical) means appear by themselves once
privatization of the economy had become a fact, or else that they were not necessary. (Hedlund 1997; Hedlund 1999). But history is not "efficient." There is no guarantee or social function by which the institutions needed to solve "the external basic problems for every society" will also be established (Eisenstadt 1968, p. 410).

Chapter 8

The transition from mistrust to trust

We are facing the following question: In concrete terms, what might be the process that the actors in a society undergo as they make the transition from deep mistrust to trust? That is, once we have ended up in a social trap, how do we get out of it? This has to do with how trust for other actors can be engendered and the legitimacy of public institutions. This is a core issue, if societies and groups caught in social traps are not to remain there forever. The problem is that these types of changes are both unusual and difficult to document. Why they are unusual should be apparent by this point. They are difficult to document because ultimately the process is a matter of changes of deep-seated mental or cognitive human beliefs. What might persuade the members of a group that have felt deep mistrust towards another group to start trusting those others? What must come about to make Catholics and Protestants in Northern Ireland, or Muslims, Serbs, and Croats in Bosnia, or Jews and Palestinians in the Middle East, ever change their beliefs about each other?

It is no easy task to find strong empiricisms in existing historical material to confirm how these changes in beliefs on who can be reasonably trusted occur. What made Swedes and Danes start seeing each other as brother peoples in the mid-19th century after ten bloody wars, the first in the mid-15th century and the last in 1814 and the source of every conceivable
misery (Holmberg 1946)? How did Finland, deeply lacerated by the civil war of 1918, leave behind the post-war era political culture of class hatred, vindictiveness, and suspicion? How can the people in countries like Poland, Hungary, and Russia, which experienced first the moral decay of the communist state and then the ensuing grave corruption, ever come to trust in public administration? For instance, it would be interesting to know what brought about the change in Swedish state administration in the 19th century from corruption, purchase of positions, and other irregularities to the kind of legally regulated Weberian bureaucracy that existed by the end of the century. It has been possible to prove that such a change took place (Rothstein 1998), but we still do not know how it was actually achieved. What did it take for those who held positions to stop demanding payment from their successors? If a bureaucrat has once upon a time paid to get a position, and if he takes it for granted that all other bureaucrats get paid when they leave their positions, something special has to happen to put an end to that activity. What changed the thinking of 19th century Swedish bureaucrats on these matters is a story yet untold.

The labor market as a social trap

My choice of empirical illustration has fallen on the subject of labor market relations and specifically the emergence of the Swedish negotiation model in the 1930s that ended as a major part of what later became known as “the Swedish Model”. The subject has been

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9 The often scorned and ridiculed Scandinavian student movement probably played a critical part (see Holmberg 1946). Its political failure through Sweden’s betrayal of Denmark in 1863 when it failed to keep Charles XV’s promise to supply troops to defend Denmark from German attack should not detract from the fact that the movement laid the groundwork for a profound change of mentality in Scandinavia. The young intellectuals of both countries promised at a number of much-noted student meetings to never again wage war upon one another, which in all likelihood contributed to the peaceful resolution of the union crisis between Sweden and Norway in 1905. At the Dybøl fortifications in southern Jutland, where Danish military opposition to superior German forces broke down in 1863, there stands an imposing monument to the volunteer Swedes and Norwegians who fought with the Danish army and died in defense of Denmark’s freedom.

10 The importance of Veinö Linna’s trilogy about the civil war to the success of modern Finland can hardly be overestimated on this point. What Linna succeeded in doing in his “crofter trilogy” was to make the red faction’s insurrection and action comprehensible to the victorious white faction – if not politically, at least on the human level. It was no longer possible to hate the other side or consider them traitors when their motives and actions were made understandable, and in certain situations even defensible, on the human level upon which Linna’s novels take place. Linna also depicted the violence from both sides with the same stark realism. Unfortunately, I cannot read Finnish, but Stormbom’s report of the debate in 1950s Finland shows that after the publication of the second volume of the crofter trilogy, Linna went into immediate public polemic against the views of established historians on how 1918 should be interpreted. Nils-Börje Stormbom’s analysis of the political impact of Linna’s writing is masterful. I cannot think of any fictional works that have had greater political impact on the democratic progress of a nation than Linna’s.
thoroughly studied, but researchers have failed to solve the theoretical problems of what made the model possible. A brief history: Sweden was not always the land of compromises and negotiations. From the 1890s to the mid-1930s the Swedish economy had the most days of production lost due to industrial disputes of any western industrial nation (Åmark 1992). However, during the late 1920s, both sides began to realize that rationalization of production and more orderly relations between organizations could change capitalism from a zero-sum to a positive-sum game (de Geer 1978). Already in the late 1920s the union leadership identified increased productivity, and not just class struggle, as a major vehicle for improving the conditions of the working class (Swenson 1989). For example, after arguing against making the National Blue-Collar Union (the LO) a more combative organization for attacking employers at the 1926 LO congress, Edvard Johnsson, Secretary General and future chairman, stated that,

(w)ages, - I’m talking about real wages - can, in the long run, only be increased if improved methods of production and economic organization create the necessary conditions . . . To think that the influence of the unions exclusively can decide the wages is as wrong as when the rooster believes that the sun rises because his crowing. If the unions can arrange so that at every point in time, the workers will receive what they are entitled to from the production, then they have fulfilled every reasonable claims. (quoted in Johansson 1989, p. 56).

Beginning in 1928, a particularly black year for the Swedish labor market due to the number of industrial disputes, the then Conservative government invited the LO and the SAF to talks about what could be done to achieve a more peaceful labor market. Both parties agreed that both sides stood to win from increased collaboration, and ten years of conferences and investigations, filled with problems and set-backs as both the LO and SAF fought against more militant forces within their organizations, eventually lead to the famous General Agreement (the Saltsjöbaden Accords) in 1938 (Johansson 1989).

The Swedish labor market of the 1920s was thus characterized by many and sometimes protracted labor conflicts. Some estimates show that the Swedish labor market at that time topped the world list of the number of working days lost due to strikes in relation to its size
(Lundh 2002). The parties mistrusted each other deeply as to both content (the struggle about how surplus value should be allocated) and the intentions behind each party’s long-term policy. Naturally enough, management found it hard to appreciate the Marxist-inspired argument that their existence was unnecessary and unjust and would come to an end through the forthcoming socialist means of production. Union leaders believed that management’s lack of acknowledgement of them as a legitimate party to negotiations endowed with equal rights was a grave problem (Hansson 1939).

However, both parties eventually realized that the conflicts – strikes, blockades, boycotts, and lockouts – were terribly costly to the respective organizations. The costs were partially unnecessary and were eventually regarded as irrational because the conflicts, however intense and ideologically charged, always eventually ended with a new agreement between the parties. An obituary published in the Swedish Employers’ Federation’s magazine *Industria* about then head of the Swedish Employers’ Confederation (SAF) Hjalmar von Sydow told how an outraged journalist covering a particularly long and difficult strike asked von Sydow how he thought it would end, whereupon von Sydow calmly replied that it would end as it always did, with a new agreement. What he probably meant was that despite the often tense atmospheres and rhetorical high dudgeon, the parties would sooner or later be compelled to arrive at a compromise. The only question was how long it would take and what it would be allowed to cost the contracting parties. Given that neither party could expect to eliminate the other as an actor and thereafter unilaterally dictate working and pay conditions, the inevitable result was eventual compromise (see, e.g., *Industria* 1935, p. 136). The unions had arrived at the same conclusion. Issue 41 of *Metallarbetaren* (the journal of the powerful Metal Workers Union) put it this way in 1929:

> The parties are meeting at the negotiating table now, where their strengths will be tested. Each party more or less instinctively understands the relative strengths of the other. If a conflict can be avoided – if there are proven men on both sides of the table, it should be possible – it will not be due to lack of "revolutionary fire," but simply to the fact that it is idiotic to do battle if matters can be settled otherwise.

The question that began forming in the minds of both management and the unions in the 1920s was thus whether, given that there would be an agreement sooner or later, it might not be possible to arrive at such an agreement without the costly consequences of open conflict. It
seemed, at least to many of those involved, rather irrational to throw away those costs time and time again when everyone knew that at the end of the day they would be forced to hammer out a compromise settlement anyway. As long as the class struggle raged with no chance of declaring a decided and final winner, labor and management were tied to one another whether they liked it or not. For instance, issue 20 of *Metallarbetaren* in 1928 covered a conflict at a manufacturing company in Marstrand that had ground on for five long years before ending in a settlement by which all workers were rehired according to the current agreement. Even communist union leaders, and there were many in the movement at that time, soon realized that they would come off badly if they could not present the rank and file with good agreements with the opposition, whom they considered exploiters and believed should be eliminated (cf. Stråth 1982). Protracted and open conflicts were rational only if final victory over the opposition was assured, given the expectation of being able to stand the victor. For the radical faction of the worker’s movement, victory would have been tantamount to the introduction of socialism, while for management, it would have been to eliminate the unions as a party to negotiations.

The costs of open conflict varied. First, both parties were forced to financially recompense the companies and workers taken out in a conflict. Funds for striking or locked out workers and to companies hit by strikes or taken out in lockouts cost both parties dearly. The financial strains could be substantial, even if the organizations were strong. And throughout the period, the union movement grew ever stronger, reaching more than six hundred thousand members by the mid-1930s, a factor that management could not ignore.

Second, production stops entailed costs to companies through lower profits and impaired capacity to pay wages. A third factor, noted by historian Maths Isacson, was that the antagonism, bitterness, and mistrust between the parties that followed in the wake of open conflicts could bring high costs in the strains on cooperation between workers and company representatives (i.e., foremen) at local workplaces (Isacson 1987). Production had already become so technically complex by that time that it required dedication, initiative, and personal responsibility from at least part of the labor force. These production factors were generally damaged by the hardnosed mentality and lack of trust that open conflicts engendered (Johansson 1989, kap. 2). In cases where management had used ”willing workers” to break an ongoing strike, which was not unusual at the time, tremendous antagonism was created in the workplace that lingered long after the open conflict was over. Especially in relation to the ongoing and often rapid-fire industrial efficiency programs, companies were dependent on union cooperation with management (cf. de Geer 1978).
There are two main ways to reach an agreement with an unwilling opponent. The first is to try and exhaust the opposition’s resources while the strike action is in progress and thus weaken its will until it crawls to the cross and agrees to a settlement on the first party’s own terms. That strategy can be costly, of course, because it is always possible to misjudge the opposition’s resources and to underestimate its willingness to fight and readiness to sacrifice. It is also difficult to predict how conflicts of that type will evolve, as the parties are not privy to precise information about what resources and strategies the opposition has at its disposal.\footnote{This theory on the fundamental unpredictability and thus inherent risk of open conflicts is the core message of von Clausewitz’s theory on the nature of war. In other words, this is a general law of unpredictability, i.e., that adherence to the law does not exist in the context of open conflict.}

In this case, for instance, it is often uncertain what sympathy actions a union can mobilize from other unions and the extent to which either party can mobilize the political resources of the state in the struggle. Open conflicts in the labor market (as in many other areas) are a strategy laden with heavy risk.

The other way to reach an agreement is to choose to arrange a negotiating system, despite clearly opposing interests as in this case, intended to arrive at a settlement without having to resort to open conflict (cf. Schiller 1988). This is predicated on the ability of the actors to work with a relatively complicated conceptual model in which they are fully aware that there are clear conflicts of interests, but are equally cognizant that they have a common interest in preventing them from resulting in open conflicts (Fossum 2001).

However, it is pointless to be the only player in such a game to refrain from regularly threatening open conflicts aimed at forcing a more favorable agreement, because the reticent actor will equally regularly come out the loser, since he has agreed to a worse settlement than he otherwise would have gotten. If, on the other hand, both parties choose to regularly threaten open conflict, such will occasionally be the result, since the parties cannot maintain credibility in each other’s eyes if they back down from such threats, because crying wolf would make the threat worthless the next time the parties sit down to negotiate. Both parties must trust that the other party will not regularly threaten resorting to open conflict in order to get a better agreement. We are dealing with an archetypal social dilemma here in which the actors, given that they can trustingly cooperate, have much to gain by establishing a negotiating system in which the costs of arriving at an agreement are minimized. This insight had also come to many of the leading actors within SAF and LO in the late 1920s. LO leaders had realized that real wage increases could only be achieved through more efficient production, which in turn required the unions to support efficiency programs. They had also
begun to understand that wages were dependent on international industrial competitiveness. Open and protracted labor market conflicts stood in the way of both goals (Johansson 1989, p. 56).

So, what was actually the problem? Why could unions and management, as the rational economic actors they are, not immediately establish the trusting cooperation by which each had so much to gain? Why did the famous Saltsjöbaden Agreement not come until 1938? The answer to that question, as I will show, was the widespread mistrust between the parties and the difficulties involved in overcoming it. The fight for the collective memory of a particularly traumatic event in Swedish politics, the Ådalen shootings of 1931 in which five people were killed and even more wounded when a military contingent opened fire on unarmed demonstrators, also played a critical role. However, before I get into that, I must digress a moment in order to address the matter of the problem surrounding power and interests in a capitalistically organized labor market. Peace and cooperation are not always better than struggle and conflict. Matters like these should not be determined solely by strategic reasons (prospects of victory). Normative arguments must sometimes prevail.12

**Power, exploitation, and the logic of organization**

As we know, the antagonism between capital and labor can be viewed in a multitude of ways. One is naturally the Marxist view in which the wage earner, regardless of the wage agreement, is generally to be regarded as exploited. It is therefore in the interests of the worker collective to put an end to capitalist exploitation, i.e., to abolish the wage employment system altogether. From such a perspective, any form of cooperation and seeking of paths toward an agreement that do not lead to open conflict are contrary to the long-term interests of wage earners. The notion was widely embraced at the time and called for the establishment of a socialist means of production. The idea was founded on the Marxist doctrine of labor value, which focused on the existence of unwarranted surplus value that accrued to the capitalist, no matter how successful wage earners were as a collective pay negotiating party (Marx 1927).

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12 For instance, I do not believe, as some asserted in Sweden in the winter of 1944, that the Allied Forces should have "stopped at the Rhine" and begun negotiations with the Nazi regime in Berlin. Sadly, war is sometimes preferable to cooperation. The logic of the social trap is based on the premise that the actors are in agreement from the outset that cooperation will benefit everyone, and that is of course not always the case. Normative arguments must also be weighed in, not just financial calculations. As the German non-socialist democrats learned to their cost in 1933, there are some actors with whom one should never cooperate.
In this context, we can leave open the question of whether or not the theory of labor value is correct (cf. Elster 1985). The argument is intended to illustrate that the parties that successfully resolve a social dilemma absolutely need not be equal with respect to the balance of power between them or with regard to what they have gained through cooperating. All that is required is for both parties to realize that they have more to lose by resorting to open conflict than by cooperating. As Victor Galaz pointed out, there can be substantial and problematical normative injustices and differences between the parties in the kind of cooperative resolutions of the problem of the social trap written about by, e.g., Elinor Ostrom. This is of course not just a normative problem, as such imbalances of power can make cooperative resolutions instable (Galaz 2000).

Just because two parties choose to cooperate, it does not mean that all matters of justice are resolved, especially with reference to the labor market. It is hardly necessary to embrace the Marxist doctrine of labor value to argue that substantial problems exist with respect to democracy and political fairness in a labor market of the kind that resulted from the Saltsjöbad Agreement of 1938. One example is the dean of liberal democracy theory, Robert Dahl, who devoted considerable intellectual energy to the problems of democracy and justice in capitalistically organized working life (Dahl 1989). Dahl’s solution to the problem, inspired in part by David P. Ellerman, is a kind of radical corporate democracy. Naturally, there is no reason to believe that developments have come to the end of the road when it comes to finding working solutions to these problems only because the Soviet version of the organization of working life and production was such a stupendous failure (cf. Rothstein 1992). When the Saltsjöbaden Agreement was formally terminated by LO in 1976 by reason of the labor law offensive that the organization had then begun, these problems of power and influence were the central argument (Schiller 1988). In game theoretical terms, this could be expressed by saying that there are many possible points of equilibrium upon which the parties could agree, depending on how each perceives the strategies and resources of the opposing party.

There is reason here to mention the Vienna Congress of 1815 when the victorious powers met to bury the French revolution’s promises of liberty, equality, and fraternity once and for all. Prince Metternich and his peers believed that events had proven once and for all that such democratic demands led only to tyranny, persecution, lawlessness, and war. However, it was to be only thirty-three years before the forces of democracy once again caused a commotion in Europe.
The logic of organized interests

That which creates a union interest in devising a negotiating model by which open conflicts are avoided is the organizational interest. All other things being equal, an interest is stronger if it is organized. However, when it comes to organizational resources, there is a crucial difference between the interests of capital owners and wage earners. In the former case, the organizational resource, i.e., the company, is created as a direct consequence of the logic of the production system. The situation is not the same with respect to the wage earners’ interest, in that they must themselves create, pay for, and maintain unions outside the logic of the production system (Offe and Wiesenthal 1980). Put simply, there are unionized and non-unionized industries and companies and the degree of union organization varies widely among countries and industries.

My point here is to show that union leaders always must always look out for two interests simultaneously – the workers interest in better working conditions and the interest in preserving and strengthening the union organization. To initiate a bold and costly struggle for better working conditions (or to crush the capitalist system of exploitation, in the idiom of the Swedish labor market in the 1920s and the 1970s alike) may entail significant risks to the continued strength, or perhaps even survival, of the union. To understand what drives unions, we must include both types of interest in the analysis. As Alan Cawson asserted, the class interest is expressed via organizations, but the logic of organization will shape that interest in reality (Cawson 1986, p. 87). LO leaders were extremely hesitant to get involved in major conflicts as of the turn of the 20th century and thereafter, due to fear of what the conflicts might cost the organization in the form of lost membership and revenues, along with the very real risk to the entire organizational structure (Westerståhl 1945; Nycander 2002).

This hesitation was shared by others, including German union leaders who did not rally round Rosa Luxemburg’s war cry that the unions should use mass strikes as a political weapon. Instead, German union leaders prevented the social democratic party from adopting such a strategy in 1904 (Looker 1972; Marks 1989). Contrary to that claimed by Marx and Engels in the Communist Manifesto, the proletariat were not in the least propertyless, but indeed had something to lose, i.e., their often hard-built organization. But this was not solely a union issue – the president of SAF Hjalmar von Sydow expressed it thus in 1928: "labor struggles cost an incredible amount of money, and of course those who handle the money and have to acquire it become inclined towards a peaceful policy by the very nature of the circumstances" (Socialdepartementet 1929, p. 76).
The classic debate on cooperation or conflict in the European labor movement took place in 1899 at the German social democratic party congress, between the revolutionary Rosa Luxemburg and the reformist Eduard Bernstein. Luxemburg’s argument against Bernstein’s reformist policy of cooperation was that while workers should certainly be organized in order to achieve partial improvements in wages and working conditions, the entire point of that kind of organization was to prove that the reformist policy of cooperation was unfeasible and wrong and that the movement should instead use mass strikes to confront the capitalist society and take power. The problem with Luxemburg’s analysis was the question she never answered: Why should individual wage earners give up their resources to support a union that does not produce results in the form of better wages and working conditions? Let us look at that logic from the perspective of union leaders. To motivate the organization, they must reach an agreement with management that contains some kind of improvement in wages and working conditions. Such agreements will always be criticized by some union members for not being favorable enough, thus compelling union leaders to accept responsibility for and defend the agreement, which by extension means they must arrive at a standpoint by which there is such a thing as a fair agreement between labor and management organizations (Olofsson 1979).

Therewith, the logic of organization has kicked in and fundamentally changed the conditions of the struggle between the social classes. The weapon – the organization of workers – that Marx, Lenin, and Luxemburg (and countless others) had hoped would be the lever that overturned capitalism ("Workers of the World, Unite") instead became the proof that it was not only necessary but possible to reach fair agreements with the capitalist opposition (Olofsson 1979; Rothstein 1987). To quote one of the most prominent architects of the Saltsjöbad policy on the LO side, Sigfrid Hansson, when asked whether the union movement wanted consensus or conflict:

It is certainly true that labor unions have taken on the nature of fighting organizations, and that the union movement as part of the socialist movement has accepted the class struggle. But on the other hand, the organizations and the movement have always understood and accepted reality when it came to their immediate and for the moment most important task, that of progressively improving the position of workers in the labor market. Clear-sighted and responsible union members have understood that with respect to the wage policy, as with practical
politics in general, we must adjust our actions to the 'law of least resistance'
(Socialdepartementet 1929, p. 39).

Hansson then pointed out that the Swedish union movement had actually been strongly oriented towards achieving consensus, e.g., through the development of the negotiation and settlement system and that involvement in the labor peace conference did not entail any kind of reorientation. He blamed the problems on prejudice and lack of good will on the part of the opposition, especially its unwillingness to acknowledge the unions as an equal party. In later writings especially, he noted that the Saltsjöbad Agreement was in reality only a codification and continuance of the negotiating models that had emerged on the local level and thus was not a new or foreign step for the Swedish union movement (Hansson 1939; Hansson 1942).

According to the logic of organization, union leaders must work with dual utility functions in their calculations, unlike the model actors upon whom economic theory is usually based (cf. kap. 2). As there are several different utility functions, there is no easy way to rank the preferences, as the values and interests the actors embrace cannot be weighed and compared using a uniform scale. For instance, how should a radical union leader of that time have weighed the value of ending capitalism against the value of strengthening the union, when the latter could only be achieved by closing an agreement with and thus legitimizing the opposition that the union wanted to abolish?

Creating trust between the combatants of the class struggle

In the late 1920s, ideas emerged in Sweden and other western countries on how societies could establish labor markets with significantly fewer open conflicts. The terms used for that concept were labor peace and Mondism, the latter after the English executive (Sir Alfred Mond) who originally launched the idea on the larger, international scale. The minority government led by the right-wing party that governed Sweden after the 1928 election invited the negotiating parties in the labor market to a national labor peace conference in the autumn of the same year. The initiative garnered widespread coverage in the press and assembled no fewer than 350 participants and spectators who represented the majority of the organizations then existing in the Swedish labor market. It needs hardly be pointed out that representatives of communist and syndicalist union factions were not present. They regarded the decision of LO leadership to accept the invitation as ”an abandonment of the class struggle and sacrifice
of the freedom of workers.” They asked themselves: ”...could the exploiters abolish exploitation without abolishing themselves?” (Casparsson 1966, p. 49). That same year, Sven Lindroth, leader of the Moscow-oriented communist party, published a book with the expressive title **Mondism eller klasskamp? Facklig borgfred eller proletär enhetsfront mot kapitalets offensiv?**

It is noteworthy that when the governing administration discussed the arrangement of the conference with LO and SAF, they agreed that neither organization’s chairman would give the opening address on behalf of his organization. The decision was made so that “questions of status” would not ”come to the forefront and impede an open exchange of opinions.” Instead, they agreed that the opening addresses would be given by people of lower formal rank in the organizations (Casparsson 1966, p. 48). The labor peace conference was consequently begun with a number of rather conciliatory and cooperation-oriented speeches on the first day, not least among them one by the abovementioned Sigrid Hansson, whose many hats included that of editor of the LO magazine **Fackföreningsrörelsen**. What both parties stood to gain by moving away from open conflicts and towards cooperation seemed clear to all speakers. The minister of social affairs underlined the notion in his speech, but also emphasized that success would be predicated on the parties meeting each other in a **new spirit**, wherein each was prepared to disavow ”preconceived opinions and ingrained mistrust” (Socialdepartementet 1929, p. 17). The day after, one of the main actors in the drama, SAF president Hjalmar von Sydow, was considerably more pessimistic. While he saw the tremendous advantages of more cooperative relations, his doubts were rooted in the following:

… I am remembering the preaching on these matters among workers for the last twenty or thirty years. The unions have never failed to pack pamphlets and press coverage with the old, worn-out Marxist theories that all profits of labor should belong to the workers, etc. The employer, the representative of capitalism, plunders and exploits the workers. He is on a par with those who unlawfully seize the property of another. Year after year, in press coverage and pamphlets, all of this has been drummed into the minds of workers and it is no wonder that it had results (Socialdepartementet 1929, p. 74).

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14 Roughly translated: *Mondism or class struggle: Union party truce or a united proletarian front against the capitalist offensive?*
Obviously, both main actors were implying that the opposition’s mental maps were going to be the major stumbling block to resolving the social dilemma inherent in costly conflicts. Most union speakers, as well as von Sydow, mentioned the beliefs about the opposition that had long since been instilled in the minds of their respective members. As von Sydow claimed, if one ascribed to Marxist theories, then employers were no better than common thieves with whom one did not open a trusting collaboration. However, he also noted in his speech that the Marxist rhetoric had been toned down in recent years (Johansson 1989, p. 71). Meanwhile, union representatives repeatedly mentioned the lack of respect from management and unwillingness to acknowledge the unions as an equal and legitimate party to negotiations. According to LO chairman Arvid Thorberg, this had often created such "mistrust" and "bad feeling" between the parties that relatively minor differences of opinion had lead to extremely costly open conflicts. However, he admitted that the union movement had often employed "more than one exaggeration" in its propaganda, but also emphasized the remnants of the old "patriarchal rule" that lived on in the attitudes of many employers (s. 117).

The labor peace conference ended with a statement by cabinet minister Lübeck that the government intended to create a labor peace committee whose task would be to put forth proposals and measures to promote "consensus and labor peace" and to which LO and SAF would each appoint five representatives. The government also intended to appoint an appropriate number of impartial committee members. The notion was backed by von Sydow, Thorberg, and unanimously by the entire conference by acclamation. The final words in the minutes of the conference are those of the chairman of LO and are worthy of quotation:

I ask that labor also be allowed to give to the chairman our respectful thanks for the initiative taken. It is my sincere hope that this meeting will contribute to understanding on both sides that we are, in purely human terms, rather like one another. We must now practically address our differences and the difficult problems that exist for both of us in order to arrive at a felicitous outcome for all. Please allow me to extend our sincere thanks (s. 144).

It is difficult in hindsight to more precisely estimate the importance of this conference. Histories of the rise of the Swedish Model do not usually accord it any great significance (för ett undantag se Johansson 1989), probably because things like trust, mentalities, and collective memories have not been core issues for the Swedish historians, sociologists, and
political scientists who have analyzed the period. Their analyses have instead focused on the more material and interest-oriented aspects, which is peculiar for several other reasons.

Looking at the date, it is noteworthy that the labor peace conference was held barely six months after the Swedish labor and union movement gathered for one of the largest manifestations in its history, the protests against the Labor Court established by the non-socialist parties and the liberal administration and the law on collective agreements. Far in excess of one hundred thousand workers came together in various demonstrations against the "compulsion laws" upon which they believed the Labor Court was built and their criticism of the liberal administration was harsh (Casparsson 1966, p. 37–40).

There is also reason to mention the bitterness towards the Liberal Party for having forced the social democratic government to resign in 1926. That came about in relation to matters of conflict management in the labor market surrounding the "Stripa Directive" and the bitter memory still preyed on the minds of many social democratic politicians and union men, as well as many communists and syndicalists. However, the minister of social affairs in the new right-wing government, Sven Lübeck, the very man who had issued the invitations to the conference and acted as its host, had by reason of his efforts as a mediator in many labor conflicts come to enjoy the "respect and esteem" of many union leaders (Casparsson 1966, p. 46). In his history of the Swedish union movement, Jörgen Westerståhl writes the following about the significance of the labor peace conference in the prevailing political situation:

Considering how the labor peace conference had been organized, it was obvious that it was not intended to lead to any immediate or specific results. Instead, its effects would become manifest in the long-run. Naturally, it was by itself important that the very spirit of cooperation and mutual understanding in this way was brought to the fore. The great positive interests most newspapers, not least the Social Democratic ones, gave the conference, contributed to shed light on a new and often unnoticed part of the relations between employers and workers. As a sign of this changed attitude it is noteworthy that Industria in 1929 published a number of articles in which the fundamental principles in the relations between unions and employers were reconsidered and in which a new spirit of understanding and appreciation was put forward (Westerståhl 1945, p. 196, transl. by author).
Westerståhl adds that one reason for the positive reception of the labor peace conference by both sides was that a couple of protracted conflicts within the paper pulp and mining industries had “to great costs for both parties, ended in a status quo” (s 190). Note that labor conflicts at that time had direct consequences in an entirely different way than they do now upon many individuals outside the conflict through the frequent occurrence of sympathy blockades and boycotts, which could at times have a grave impact on the “public sense of justice,” because they affected people and companies that did not consider themselves parties to the conflict.

In his history of the genesis of the Saltsjöbad Agreement, the prominent union official Ragnar Casparsson writes that while much of the criticism of union actions as “black-mail and mischievousness blockades” was exaggerated, it was still impossible to “deny the existence of union actions that broke the law, which in its turn could be brought back to the fact that union leaders lacked the courage or the will power the demand from unions and individuals the respect for rules and regulations which put the rights to make decisions about strikes and blockades in the hands of the national union boards” (Casparsson 1966, p. 129, transl. by author). Thus, leading individuals on both sides understood that the conflicts were unnecessarily costly and that they sometimes came to such expression that they damaged the reputations of the organizations.

The new social democratic party leader Per-Albin Hansson also supported the efforts of LO towards labor peace. That the strategy worked became a central element of his internal strategy for driving out the forces within party leadership that were more oriented towards the class struggle (Isaksson 2000). As Bengt Schüllerqvist has shown, Hansson believed that the strategy also required a rhetoric other the Marxist that had predominated within the party up to that point – ”class struggle could be interpreted to mean civil war” and that was something with which Hansson’s ”people’s home strategy” must not be associated in any way (Schüllerqvist 1992, p. 121–124). That one of the foremost LO architects of the efforts towards labor peace, Sigfrid Hansson, was the party leader’s brother probably played a not insignificant role in the context.

The collapse and its consequences
The labor peace committee, the concrete result of the labor peace conference, began its work in early 1929. The committee was made up of leading representatives from labor and management and a number of members appointed by the government, including a chairman defined as impartial. The committee issued two reports, but as Ragnar Casparsson writes, they drowned in the considerable alarm caused by the events in Ådalen in May 1931. Despite the objections of LO leadership, the delegates to the LO congress in autumn 1931 decided that the organization should withdraw from the labor peace committee due to what happened in Ådalen. The argument was that LO could of course not cooperate with a party that acted in such a way that a conflict escalated to the point that the military opened fire on striking workers with lethal results. LO also protested against the ensuing "persecution of the union movement" by the management-allied press in the discussions following the events in Ådalen (Casparsson 1966, p. 56). The spokesman for the Building and Woodworkers’ Union expressed it thus at the LO congress:

There can be no resonance for the idea of cooperation between management and labor when the former recommend the use of bayonets against workers. I hope that the congress will repudiate the notion and agree that this humbug should be put to an end (quoted from Johansson 1989, p. 114)

That statement was followed by several similar ones by delegates to the congress. There were widespread manifestations and protests against the actions of the military in Ådalen all over the country. It would be no exaggeration to claim that union members’ mistrust of employers reached an ’all-time low’ after the tragedy in Ådalen in 1931 (Johansson 2001). According to one social democratic opinion writer who was closely affiliated with the cooperation-oriented Per-Albin Hansson wing, not only were five people shot to death in Ådalen, so was the nascent will to reach consensus. Until the 26th of May, thus for almost ten days, there was a nearly total work stoppage throughout Ådalen as well as spontaneous strikes in many other places around the country. Protesters demanded that the military and strikebreakers be ejected from Ådalen and that LO initiate strong protest actions such as a general strike (Isaksson 2000, p. 105).

But not everyone grieved the occurrence. Within the more Moscow-connected of the two communist parties, which wanted to bring about a general strike wave as a response to the events, there was an eventual call to accounts due to the party’s inability to create new ”Ådalens” (Schüllerqvist 1992, p. 129–135). To the communist faction of the labor
movement, the events in Ådalen were a sort of confirmation that their analyses of the situation of the working class and choice of strategy were right. This begs the question of how it was possible to get from that point to opening the negotiations that led to the Saltsjöbad Agreement only five years later. How did the parties make the transition from the deepest mistrust to the kind of internationally unique trusting cooperation that the Saltsjöbad Agreement entailed?

**The battle for the collective memory: Round-trip to Ådalen**

What actually happened in Ådalen in May 1931? This is not the place for a detailed account or a new explanation, for which I refer the reader to the comprehensive literature on the subject cited here. Instead, I would like to underline the importance of the rapidly ensuing battle within the labor movement as to which collective memory the events in Ådalen would produce. Essentially, two clashing ‘worldviews’ were established to interpret the meaning of what happened (Isaksson 2000, p. 108). The first, promoted by the communists, syndicalists, and the more class struggle-oriented wing of social democracy led by Arthur Engström and Zäta Höglund, was aimed at creating a picture of Ådalen as an archetypal capitalist state action in response to the demands of the working class for their legitimate rights. Out of the shots fired in Ådalen, along with a number of similar, earlier events, these political entrepreneurs wanted to establish an image of a relentless bourgeois state that in unholy alliance with the capitalist class would stop at nothing when it came to preserving the privileges of the class society (Nycander 2002, 54–60). Innocent workers who wanted only to claim their civil rights had fallen victim to assault of the military and capital.

The message was clear: only continued, unrelenting class struggle against the bourgeois state remained – all thoughts of consensus and cooperation should be abandoned. The communist slogan was unequivocal: “Three years of Mondism – five workers murdered” (Johansson 2001, p. 100). A communist MP asserted in the Riksdag that workers should create their own armed police, since the Ådalen events had proved the impossibility of confronting management and their strikebreakers without weapons in hand (Nycander 2002, p. 55).

The theme that the violent acts of the military had proved that cooperation with management was meaningless recurred even in the funeral ceremonies, which were molded into a show of power by the local communists who had led the fateful demonstration. In the
introduction to the eulogy, the communist officiant Axel Nordström stated that “the bullets that killed our comrades also killed our illusions of consensus and reconciliation with our class enemy – the bourgeois class – and the rotten system that claimed their lives” (quoted from Johansson 2001, p. 169)

The second line within the labor movement, represented by the wing surrounding Per-Albin Hansson and Gustav Möller of the social democratic party and LO leadership, gave an entirely different interpretation of the events. The outcome was not at all the logical consequence of demands by the working class for their rights, but rather of both parties acting in precisely the manner that the labor peace policy was intended to avoid. Firstly, they believed that while it was certainly wrong to use the military in such situations, they saw the military’s action more as the result of a series of unfortunate circumstances and the police force’s lack of experience with similar situations. Secondly, they blamed the communist leaders of the strikes and demonstrations, whom they believed had acted both irresponsibly and illegally, the former by fomenting the outraged and partially revolutionary atmosphere in Ådalen and the latter by breaking into company premises and openly assaulting several strikebreakers.

Thirdly, management had behaved in precisely the provocative manner that the labor peace contingent wanted to avoid by hiring strikebreakers, which was of course the clearest possible signal to the union that they had not been acknowledged as a legitimate party to negotiations endowed with full and equal rights (Schüllerqvist 1992; Isaksson 2000). The power of a union is invested in its ability control the supply of labor, so there is no graver threat to the organization than that used by the employers in Ådalen.

The battle between the two wings of the labor movement for which collective memory of Ådalen would dominate was intense and bitter. As Roger Johansson showed, it is still in progress today to a certain extent. Throughout the postwar era, the social democratic party in particular has been interpreting and reinterpreting the meaning of Ådalen according to which way the prevailing political winds were blowing (Johansson 2001). The contemporary struggle between social democrats and communists was expressed not only in how the events should be interpreted, but also in how the funeral ceremonies should be arranged. As time went on, the infighting went all the way down to what should be inscribed on the memorials.

15 The military command on site had interpreted the demonstration as a military attack that had to be stopped and not as what it was, i.e., a demonstration by admittedly agitated but unarmed individuals. One reason for the military’s action was that they believed the final destination of the procession was the strikebreakers’ camp. As the latter were armed, the military predicted a serious conflict if the procession was not stopped (Nycander 2002, p. 53).
and how the graves should be arranged. As Johansson writes, two very different pictures emerged in the eulogies given by communists versus those delivered by LO representatives. The speeches seemed to be political manifestos and were given prominent coverage in the party press on each side. The LO representative’s speech was even reprinted in its entirety as an appendix to LO’s printed annual report in 1931, which was a unique action. According to Johansson, the image reproduced by the communists was that Ådalen was a matter of “a life-and-death struggle on clearly defined fronts” while that given by LO leadership emphasized that the events in Ådalen were unique and therefore could not be generalized to the rest of the labor market (Johansson 2001, p. 172). The battle for the collective memory of Ådalen would prove decisive to the future of political developments in Sweden.

According to Anders Isaksson’s biography of Per-Albin Hansson, the future ”father of his country” was metaphorically born at the precise moment Hansson found out what had happened in Ådalen. By keeping a cool head in the extremely tense situation that instantly arose, Hansson succeeded not only at finally defeating the internal, more class struggle-oriented party opposition, but also at gaining widespread support in public opinion for his cooperation-oriented political rhetoric (the ”people’s home” policy). The internal party opposition’s description of the Ådalen incident was difficult to differentiate from that promoted by both communist parties and the syndicalists (Isaksson 2000, p. 162). If that policy direction had won out within social democracy, and there was a great deal to indicate that such could have been the case, the labor peace policy would in all likelihood not have become the predominant party, and later union, line. Therewith, according to Isaksson, Hansson would probably not have won the internal party fight and succeeded at establishing his people’s home strategy.

The policy of confrontation, which initially enjoyed the greatest support, did not emerge victorious. Instead, the collective memory of Ådalen that Hansson promoted became paramount, not only within the labor movement but also within much of bourgeois opinion. According to Roger Johansson’s comprehensive analysis of Ådalen in Swedish politics, the Hansson picture became hegemonic until the leftist wave of the 1970s (Johansson 2001, p. 447-449). Isaksson’s conclusion after detailed analysis of the course of events was that it was in choosing which political interpretation should be given to Ådalen that Hansson, in the critical situation that had arisen, demonstrated the ”strategic mastery” that led to his later political victories, both inside and outside the party (Isaksson 2000, p. 173).

What Hansson did was put himself on the side of the law – the side of universalism – when he also condemned the violence and other assaults perpetrated on the strikebreakers at Ådalen.
and elsewhere around the country. The resentment that those involved felt towards the strikebreakers did not, according to Hansson, give them the right to resort to physical violence, not even against strikebreakers. Even those deserving of contempt “can demand protection of their personal safety, and the law of ’might makes right’ has no place in a civilized society,” argued Hansson. If people condemned the violence of the other side, they could not defend their own group’s right to take the law into their own hands (Isaksson 2000, p. 176f). It should be added that Ådalen was far from the only time violence broke out during a strike. On the contrary, in the wake of the crisis and many conflicts, violence had become an increasingly common element in the Swedish labor market of the day. Demonstrating workers were wounded by police bullets in Sweden even in the summer months after the Ådalen incident. Violence against strikebreakers (or ”willing workers” as they were also called) had become legion within large factions of the union movement and had garnered a great deal of press coverage. The attention-getting exposé that same year of a conspiracy among non-socialist forces in Stockholm and elements within the police and the military to establish an armed protective corps, referred to as the ”Munck Corps,” should also be noted in the context (Johansson 2001, p. 130).

How serious was this escalating violence and increasing lawlessness in the Swedish labor market? That is naturally difficult to estimate, but Sweden was not an isolated island even then. Close to home, the situation had degenerated alarmingly, including in Finland where the fascist Lappo movement, known for its use of violence against labor, had burgeoned. The Finnish civil war of 1918 with its horrifying afterbirth in the form of the white faction’s concentration camps and violence against the red faction was probably still fresh in the minds of Finns and Swedes alike.

Germany was another nearby hot spot where political violence perpetrated as murder and assault had long been rife. Reports of violence in Germany against union leaders and activists were common, especially in the union press. A review of all issues of Metallarbetaren in the 1930s showed that while the famous ’horse-trading’ and its ensuing new economic policy was given minimal coverage, reports on political violence in Germany against union activists were very common. Of the 49 issues of Metallarbetaren published in 1933, half contained articles of that kind, often featuring very detailed descriptions of how union leaders were imprisoned, beaten, and killed. In other words, there was no dearth of examples that, even in the proximity of Sweden, violence in the labor market could spin out of control and threaten democracy and the existence of the union movement.
Hansson and Möller’s views on the struggle between union and employer interests was that the former could not and should not convert the universal right to personal protection against assault into a particular institution that protected only union interests. Therewith, in his polemic against the leftist wing of the party and communist agitators, Hansson made a clear distinction between the unions’ interest in laws that protected their monopoly over the supply of labor on the one hand and the interest in preserving universalism in state institutions on the other. According to Hansson, the parties’ fight to protect their respective interests would have to be fought within the frameworks established by democracy and the rule of law and he was thus prepared to criticize the phenomena coming out of the unions that had come to be understood by widespread non-socialist and liberal opinion as exaggerations and arbitrariness (Isaksson 2000, p.178). However, he believed that employers would eventually realize that they had more to gain by acknowledging the unions as legitimate partners and accordingly refrain from using strikebreakers. It should be added that after right-wing leader Arvid Lindman stepped forward in defense of the armed bourgeois guards in Stockholm (the Munck Corps), Hansson could present himself as the foremost champion of the notion that violence and lawlessness could not be allowed to triumph in Swedish politics of the day.

Based on the theory of the collective memory, the Ådalen incident is highly significant to modern Swedish political history. On the one hand, the analyses of, e.g., Anders Isaksson and Roger Johansson show the great importance the various parties attached to gaining acceptance for their particular version of history. This was in truth a “fight for the history.” On the other hand, their analyses also show that the collective memory could not in this case be fabricated at will based on the actual historical course of events, from a purely strategic and power political perspective. The actors certainly devoted considerable political and other resources to getting their image and interpretation of the events to prevail in the minds of the public. However, the question of who would win the battle for the collective memory of Ådalen in 1931 was not solely a matter of who had the most power and resources.

This is clearly evident in light of the non-socialist faction’s (including SAF and the right-wing party, which was then by far the most economically, and perhaps also politically, powerful force in the country) colossal failure at gaining general acceptance for their version of the Ådalen incident. Their ploys to that end included describing the shots fired by the soldiers as a necessary response to a communist-organized attack on the military. SAF and the right wing were absolutely unwilling to acknowledge that the military behaved improperly and that the management side of the conflict had been exceptionally provocative. Instead, they chose to emphasize that it was the duty of the state to defend, at any price, the strikebreakers’
(the willing workers’) right to trespass blockaded workplaces. However, the initial attempts of
the non-socialist press to put all the blame on the demonstrators broke down quickly, for the
simple reason that they had their facts wrong. The demonstrators did not, as claimed in
prominent articles in some non-socialist newspapers, shoot first. The demonstrators did not
open fire on the military at all, as no one in the procession was carrying a firearm (Johansson
2001, p. 100–118). This could be proved, as could the fact that demonstrators were obviously
headed for the strikebreakers. The Hansson-Möller line won the fight for the history against
the right wing and SAF in part because they chose to stick to the facts of the case.

Roger Johansson’s conclusion, which is supported by Anders Isaksson’s analysis, is that
the victorious Hansson-Möller line meant that an image was established in the dominant
collective memory by which the cause of the tragic degeneration of the conflict was
ultimately to be found in irresponsible communist agitation and the bourgeois ”class
egotistical” policy of not acknowledging the unions as legitimate negotiating partners.
According to Johansson’s analysis, the lesson gleaned from the Ådalen incident that Hansson
managed to establish in Swedish politics was that self-interested action was dangerous and
that all citizens had a responsibility for finding compromises that was favorable for the
development of society (Johansson 2001, p. 452). That is, according to Gustav Möller and
Per-Albin Hansson, without trusting cooperation between the parties in the labor market the
social trap would snap shut, not only around the Swedish labor market, but around all of
Swedish society.

Once again, I must emphasize that this should not be taken as an argument that Hansson’s
interpretation of the events was in fact historically accurate from any kind of objective
perspective. The point of this analysis is empirical rather than normative, to the extent that it
is meant to serve as evidence of the actual input values (mental maps) the parties had upon
which to base their actions in the strategic game prior to the Saltsjöbad Agreement. After
Ådalen, union representatives knew that a government led by Hansson was prepared to
support them but only to a certain point, which stopped at any breach of the universal norms
of democracy and the rule of law. Those on the management side knew the same after Ådalen
– Hansson and Möller’s line had become that which game theory usually calls general
knowledge. The employers knew there was a limit to how far the unions could push a
government led by Hansson and Möller when it came to the rules that would apply. They
knew that when faced with a choice between union interests and the principle of the rule of
law, Hansson and Möller would defend the latter.
Finally, management also knew, and this was particularly important to them, that Hansson and Möller were prepared to take on a tough fight, not only with syndicalists and communists, but also with an internal party faction that claimed the opposite. Hansson and Möller had set down the rules of the game in such a way that they had established what game theoretical literature considers extraordinarily difficult to achieve – a credible commitment to the impartiality of political institutions (see chapter 5). One important aspect of that commitment was the undertaking to wage a fierce battle against communist and syndicalist influences within the union movement (Schüllerqvist 1992).

The Saltsjöbad Agreement – The trust and the hidden agenda

Many researchers who have studied the text of this famous agreement have been struck by its lack of content as to material stipulations. The agreement is first and foremost a formal regulation of the negotiating process between the parties (Edlund, Johansson et al. 1989). However, the aspect to which the actors involved constantly referred was the new ”spirit” embodied in the agreement. According to Bertil Kugelberg, who held a central position at SAF and was the president of the organization from 1947–1966, the impact of the agreement on relations between the parties could not be overestimated – he believed that it was a means of resolving conflicts between the parties ”through wise restraint rather than violence.” Like many others, he emphasized the tremendous change the agreement brought about towards achieving a ”more peaceful atmosphere” in the Swedish labor market (Kugelberg 1989, p. 93f). After the agreement was reached, Prime Minister Hansson stated in the Riksdag that its chief virtue was the ”new spirit” that had sprung up between the parties (Lower House, 1939-01-18). The editor of the principal management-side newspaper, Axel Brunius, believed the central aspect was the ”mental reorientation” that the agreement represented. When negotiations were begun in 1936, Brunius had warned against extravagant hopes, for not even the most detailed agreement could guarantee labor peace, but he had similar reservations about attempts to deal with the issue legislatively. All that could be hoped for, according to Brunius, was that an agreement might bolster trust between the parties. The crux of the matter was whether both organizations could refrain from tactical maneuvers and smoke screens and instead behave honestly and in a trust-inspiring manner (Industria 1936:7, p. 176).

In order to grasp why this trust was so important, we must understand how complex the game can get when it comes to wage negotiations. Bertil Kugelberg’s memoirs give us a
glimpse into the tactical problems in these games of negotiation (Kugelberg 1986, see also the interview in *Arbetsgivaren* 1977, issue 32). When an agreement is to be reached, the parties usually meet with their "large" delegations, at which their various positions are put on the table. Naturally, disagreement ensues and in order to arrive at the compromise necessary to avoid open conflict, negotiations usually have to be held among only a few or only the individual leaders of each party. These "ironing out" sessions can be tough and a finished draft agreement can only be reached if both parties elect to compromise. The difficult part is that the draft agreement, which the leaders of both parties have compromised into existence, must be ratified by each organization’s negotiating committees. This is often the moment of truth for the leaders of the organizations, as they must then show their own what skilled negotiators they have been. They must defend the concessions they have made and, it stands to reason, emphasize the concessions to which they have convinced the opposition to agree.

The outcomes to this situation vary. Both parties may gain the approval of their respective committees, after which the agreement is set. Or the committees on both sides may reject the draft agreement, whereupon negotiations must be resumed and an attempt made to arrive at something more acceptable. Finally, the agreement may be ratified by one side but rejected by the other, which is the most difficult of the three situations, as it means the leaders of the organizations must meet again in a situation where the party who has managed to gain acceptance of the concessions he agreed to finds out that they were not good enough and that the opposition is demanding further concessions in order to reach an agreement. The party whose committee has accepted the draft, perhaps after gut-wrenching discussions about why he ever agreed to concessions x, y, and z, has to go back to his committee and explain that the concessions were not enough. This is hardly a desirable situation, as the upshot for the leader is loss of face and status before his own.

The problem is that neither leader can control whether the other will choose to bluff when it comes to reporting what happened when he tried to garner the negotiating committee’s support for the compromise. One party may quite simply take the negotiated compromise to his committee and tell them they should absolutely not agree to it, then go back to the opposing party and aver that the committee had refused to accept the compromise upon which they had agreed, despite his assiduous efforts to persuade them. Of course, that kind of bluff can, as Kugelberg describes it, be a very useful strategy to extract even greater concessions from the opponent (Kugelberg 1986, p. 107). The problem is that if one or both parties suspect that the other is using those kinds of tactics, the game of negotiations is in danger of degenerating into precisely the kind of open conflict the players want to avoid. It is this
complication in the game of wage negotiations that makes trust in the opposition critical. If one actor believes that the other is going to bluff when it comes to the seriousness of his attempt to gain acceptance of the compromise among his own group, the reasonable strategy would be for the first actor to also use the same tactics. The outcome of the problem becomes that even if there are very large collectives on both sides, the purely interpersonal trust between the leaders plays a vital role.

The process that led to the agreement has also been described by those who were involved in a way that many historians have found difficult to deal with. I am thinking primarily of testimony about the importance that interpersonal trust between the negotiators on both sides seems to have had (Hansson 1939; Casparsson 1966; Kugelberg 1986). Naturally, it is difficult to analyze the significance of "soft" factors like interpersonal trust in more materialistic and interest-based histories (cf. Åmark 1992; Swenson 2002). But seen in light of the theory of the social trap, trust falls perfectly into place and becomes a make-or-break factor. As Bertil Kugelberg wrote in his memoirs: "The importance of the Saltsjöbad negotiations cannot be overstated. Exaggerated beliefs about the opposition’s malicious attitude evaporated. (Adrserà, Boix et al.) We also found that – alongside the natural antagonisms – the parties had common interests in a number of respects, which could very well be promoted through coordinated actions" (Kugelberg 1985, p. 52).

Meanwhile, the issue is whether this does not leave us with an explanation that identifies the purely personal factors among the actors involved as the deciding factor when attempting to explain how it was at all possible to go from Ådalen to Saltsjöbaden. The question we must ask is where this trust between the parties came from, and then we can only refer to the special Swedish culture oriented towards compromise and consensus. Have we gone full circle to arrive back at a purely culturally determined explanation? There is good reason to linger awhile yet with this problem, i.e., to study whether there is something particular that distinguished Sweden from other countries with respect to labor market relations in that era.

There is some anecdotal information which indicates that such might be the case. For instance, in his history of the genesis of the Saltsjöbad Agreement, Ragnar Casparsson describes the surprise that the opposing parties in the Swedish labor market engendered on a joint trip to France just prior to the birth of the Saltsjöbad Agreement. Their French hosts on both sides of the labor fence could not for the life of them understand that the leaders of LO and SAF traveled together, dined together, met under the same roof, and could on the whole conduct joint discussions in a civilized manner. They had never seen the likes of it and could apparently not really understand how any of it was possible. Nor could the French understand
that their Swedish guests could base their deliberations on public wage trend statistics accepted by both parties, as it was taken for granted in France that such material was never reliable and was always manipulated (Casparsson 1966, p. 214–218).

*Skogsindustriarbetaren* magazine (1939, issue 17) printed a similar story about a group of French union leaders on a junket to the LO school at Brunnsvik who could not believe their eyes when they discovered that the school had invited Gustaf Söderlund, the president of SAF, to be a guest lecturer to the union classes.\(^{16}\) The idea that there would be any point whatsoever in listening to the other side had apparently never crossed their minds. Even the management-side magazine jested good-naturedly about foreign observers of Sweden who marveled over the Swedish spirit of consensus (*Industria* 1938, p. 84). The question that must be asked is as follows: Was there, as these events imply, something special about labor market relations even prior to the Saltsjöbad Agreement that distinguished Sweden from other countries?

**The political institutions and the capacity of trust**

The answer to the question of whether there was a distinctive quality to labor relations that separated Sweden from other countries early on is a clear and unequivocal yes. The reason for that answer can be found in a book I published some ten years ago titled *Den korporativa staten.* However, even I did not comprehend the full import of my findings on the structure of early Swedish corporatism until about five years after the book was published. The capacity for dialogue between the parties that resulted in the Saltsjöbad Agreement can be found in how, early in the 20\(^\text{th}\) century, the Swedish state institutionalized arenas in which the parties continually met to shape and implement Swedish labor market policy. Contrary to that which emerges from accepted studies of the rise of the Swedish Model, the transition from the conflict and mistrust of the 1920s to the cooperation and the spirit of consensus of the latter 1930s was not a sudden change. Leading representatives of both parties had begun to cooperate and engage in continuous dialogue on an array of intricate issues, on both the local and national levels, and those patterns of cooperation had usually been arranged through state-sponsored initiatives.

\(^{16}\) This had begun in 1935, probably at the urging of Sigfrid Hansson, and it was in these lectures, which were widely distributed by SAF, that the outlines of the Saltsjöbad Agreement were introduced.
In broad strokes, the story played out as follows. At an early stage, the Swedish state sought dialogue between labor movement organizations surrounding the matter of how what had been dubbed the "worker question" could be resolved. The identified problem was that while this new class had certainly developed widespread internal solidarity, it was isolated from the rest of society. In 1912, a state commission of inquiry that had recommended giving unions a voice in public administrative bodies related to the labor market described the problem as that:

The sense of solidarity, while certainly commendable, that has emerged within the working masses, is restricted to themselves and they seem unwilling to extend it to the entire society for which they share responsibility...Herein lies an apparent social danger, that must in the interests of all be eliminated. Government authorities everywhere are thus facing the difficult task of ameliorating the antagonisms of interests, smoothing conflicts of interest, and mending the rents that open in the social fabric (quoted from Rothstein 1992, p. 93).

It would be greedy to ask for clearer evidence that the Swedish state was early to see the dangers of the social trap with respect to labor market relations. The results of those ideas showed up quickly. As early as 1902 when the conservative government established the country’s first social insurance program, it requested the participation of the union movement in implementing the reform. The government wanted to attach a "worker insurance council" to the agency that would be responsible for the reform, which would consist of five representatives from each side. The council was never established, not due to lack of will, but rather because no acceptable technical election method for appointing such representatives could be found. However, that kind of corporatively composed body soon became a common element of Swedish politics.

On the local level, local employment offices were set up starting in 1902, in which each party was given an equal number of seats on the boards of directors and which were led (again) by an impartial chairman, usually a higher ranking municipal official or a judge from the local court system. This may seem today to be a rather simple measure, but at the time, power over the employment offices was a highly politically charged arena by reason of the frequent local labor conflicts. The party that had control over the distribution of work
naturally had the upper hand in that regard – unions could exploit the power to block the employers and the employers could, if they controlled the employment offices, recruit ”willing workers” and blacklist strike leaders from employment in general.

In Germany and many other countries (including Denmark and Norway), control over the employment office system had become an issue fraught with conflict between the parties, but the matter played out in a completely different way in Sweden (cf. Schiller 1967, p. 9–36).

For instance, when the City of Stockholm studied whether it should establish public employment offices in the late 1890s, those involved immediately noted the negative experiences from Germany, where employment offices had become a weapon in the class struggle. It is difficult to discover the source of the notion that this knotty issue should be taken away from the opposing interests and made into a public concern, but it gained rapid acceptance in Sweden. By 1907, all larger cities in the country had set up bipartisan public employment offices. These municipal employment offices were established according to a uniform design throughout the country, which was based on the principle that they should be impartial and remain neutral towards conflicts between the parties.

Starting in 1907, state subsidies were paid to the employment offices provided they were organized as noted above. Interesting in the context is that leading representatives of both social democracy and SAF were initially skeptical about these establishments. SAF had far-reaching plans to introduce the system that prevailed in much of Germany, where the employers had taken control over the employment offices and used them as a very effective instrument against the unions (Schiller 1967, p. 9–36). Hjalmar Branting spoke out in the Riksdag in 1903 against the bill to support the system of state subsidies because he felt there was a risk that the employment offices would be exploited by management to recruit strikebreakers. A couple of years later their fears had been allayed and local representatives of both parties took part in several employment office conferences organized by the National Board of Trade, starting in 1906. The chairmen of both SAF and LO attended one of the larger conferences in 1912.

There is reason to ponder the temporal logic of this development, as it began before all adult males were enfranchised in 1909 and many years before parliamentary democracy was secured in 1917. Representatives of employers and unions had thus, prior to that point, begun continually cooperating on an issue that was sensitive to both parties, on the national level as well, but especially on the local level. Particularly surprising is that this cooperation, as far as can be judged, seems to have proceeded in a relatively frictionless manner. There are no reports of any local antagonism, and the five contemporary reports of proceedings from
various employment offices that I have reviewed (Uppsala, Stockholm, Malmö, Göteborg, Helsingborg) contained no notes indicating conflicts about anything other than trivialities.

At the behest of the cabinet offices, the National Board of Health and Welfare conducted a study of the employment office system, on which it submitted its report in 1916. The report stated "there have been no objections from any direction to the organizational principles upon which public employment offices are based." The Board of Health and Welfare also stated that the strong development of the employment offices was the outcome of the corporative principle of organization and the trust accorded the system by both management and labor organizations "which in our country have fortunately refrained from using job referrals as a weapon in the social struggle, which in Germany has to a degree distorted the entire issue of employment offices" (s. 94). The report continued:

Despite the sharp social and political antagonisms that in other areas of society could make themselves felt between members of the management and labor camps, the same individuals on employment office boards have, in the experience of the National Board of Health and Welfare, always loyally cooperated in the interests of objectivity.

There is reason to linger a moment with this assessment. What the Board of Health and Welfare said was that "the same individuals" who outside the public institutions could be involved in serious conflicts changed their behavior when asked to act within the frameworks of those institutions. Their sometimes intense and doubtless bitter struggle of interests was transformed by the institutional conditions into cooperation towards a common goal. It would be difficult to find clearer evidence that human actions are influenced by institutional conditions and not the inherent, culturally determined norms of the people involved (cf. dock Rothstein and Bergström 1999). This also dovetails nicely with Elinor Ostrom’s findings on how local actors can manage the difficult social dilemma of conservation of natural resources. The institutional conditions proved capable of reshaping the actions of the actors from the point where they considered only their own short-term economic interests (which thus meant that the social trap was a foregone conclusion) to that where they began discussing how they could work together to find cooperative solutions (Ostrom 1990, p. 138).

This type of corporative institution spread rapidly within the Swedish state administration. The establishment in 1912 of the National Board of Health and Welfare is perhaps the clearest example. As a civil service department, the Board of Health and Welfare was entirely
different from what it is today, in that the agency was responsible primarily for issues related to the labor market. When the department was established, two "social delegates" were attached as members of the national civil service board and those delegates were the chairmen of SAF and LO. The board met regularly and was involved in laying the foundations of Swedish social and labor market policy. Among else, the board discussed a far-reaching proposal on legislation intended to increase labor peace as early as 1915. Judging by the minutes of the meeting, the discussions seem to have been held under exceedingly orderly and constructive conditions. When the Board of Health and Welfare assessed the value of the construction in an opinion submitted to the cabinet offices, its report was highly favorable and stated that the board had successfully avoided many problems related to sensitive issues via the opportunity to engage in confidential and informal talks and that this had "smoothed out the antagonism of interests" in the area (Rothstein 1992, p. 94f). Thus, during the National Board of Health and Welfare’s first few years, the chairmen of SAF and LO met almost every week to discuss their common affairs, along with the civil servants on the board.

Among the other bodies given an equivalent construction during that area was the Labor Council, which was established in 1919 and mandated to deal with matters related to the implementation of the eight-hour working day. It was composed of two members each from SAF and LO and three civil servants with judicial competence. In other words, the Council had the nature of a court, roughly the same construction given to the Labor Court ten years later. It was constructed in that way because the eight-hour day was not implemented in Sweden in the same way as in most other countries, i.e., through direct statutory provisions that regulated working hours in detail. Instead, a very general law was enacted, what we would today call a framework law, and application of the law was devolved to the Labor Council, which allowed working hours regulations to be adjusted to the conditions prevailing in different industries. When the issue of the law on the eight-hour day was brought up in the Riksdag in 1930, SAF chairman Hjalmar von Sydow, who had himself sat on the Council, delivered a highly positive statement about the work of the Labor Council. His contribution to the debate in the Riksdag is worthy of quotation:

Provided that the employer and workers agree, the Labor Council has the right to grant a dispensation from the application of the law with no restriction other than that the permitted working hours may not be unreasonable. This is the highest relief available to the employer under the law and it is very often applied. Not a single meeting of the Labor
Council is held at which a dispensation is not granted on the basis of this statute. There are important branches of industry here in Sweden that have boomed in recent years and which would never have been able to do so without these dispensations (Upper House 1930 no. 22, p. 14f).

The quotation indicates a couple of important things. First, that von Sydow, despite belonging to the old tribe of more patriarchal employer representatives, had extensive and positive experience within this type of state institution of reaching consensus with union representatives on matters of great importance but also of a complex and sensitive nature. Secondly, there seems to have been something special, even for the actors of the day, about how people in Sweden in particular were able to arrange institutional conditions so that trusting cooperation could be established between opposing parties. It should be added that there were several such corporatively composed institutions in Sweden at the time, but it seems unnecessary to describe them all in order to underpin the following two conclusions of this analysis.

First, the type of cooperative patterns in the Swedish labor market expressed by the Saltsjöbad Agreement should not be seen only as a radical break with a previous praxis of confrontation. The occurrence of many and protracted labor market conflicts have blinded Swedish historians to the reality that in parallel with those struggles, there was also extensive cooperation between the parties in corporatively institutionalized forms (Johansson 1989; Lundh 2002). The idea that even glaring conflicts of interests could be resolved without open conflict did not suddenly enter the minds of the actors one fine day in 1936 in the beautiful Saltsjöbaden Hotel. There was a long and meaningful praxis on which to fall back. This praxis of cooperation need not be explained by the notion that there was something in the special Swedish culture (the temperament, the landscape, etc.) that gave rise to a few special prerequisites. Nor are we compelled to surrender to explanations that revolve around the dispositions and strategies of individuals. The policy of cooperation may be regarded as the result of the political institutions that had been established at an early stage within this area.

Second, these institutions did not come about through the initiative of the parties, but rather as an expression of the Swedish state’s attempt to manage the ”worker question.” It is noteworthy that the organized working class was considered a legitimate party to the Swedish before the principles of parliamentary democracy were accepted. In that respect, the Swedish state differed considerably from, e.g., the French, German, and British states, not to mention the Russian state, of course. The Swedish state appears to have been considerably more open
than those others to consider and cooperate with the organized labor movement. It was not as authoritarian as the German state, which pushed the German labor movement back into ghetto-like isolation from the rest of society, from which position it became, despite its vigor, an easy victim for the burgeoning Nazi movement (Birnbaum 1988).

The Swedish labor movement was early to accept the notion that there might be a need for people in responsible positions who were not bound to either side, but could instead act impartially and objectively, which applied to the chairmen of local employment offices and members of the Labor Council, as well as in the rapidly accepted Labor Court. The idea that antagonisms of interests could be resolved in accordance with certain universal principles that could be applied by public officials who put high value on objectivity and impartiality thus became something that was not only accepted early on, but also regarded as an asset by the faction of the labor movement that later supported the principles of the Saltsjöbad Agreement.

Pierre Birnbaum, Colin Crouch, and Gerhard Lembruch are among those who have asserted that established corporative networks of institutionalized trust between the state and the representatives of special interests create a sort of mental map in the minds of those involved that shows how social conflicts should be resolved (Birnbaum 1988; Lembruch 1991; Crouch 1993). When a society is faced with managing a new situation, the outcomes vary depending on the patterns states establish early in the process. When choosing their working strategies, the actors use what I would call here a collective memory of how equivalent matters were resolved (or not resolved) in the past. In Sweden, the institutionalized patterns that created forums for dialogue and cooperation between the opposing sides in the labor market were established early in the game, and they worked. In the period immediately prior to the breakthrough of democracy, the country was governed in part by an enlightened civil service corps oriented towards safeguarding the best interests of the state. It would certainly be too much to claim that this corps welcomed the new social force of the labor movement, but once it was a fact, the officials understood that the labor movement could not, as in Germany, be excluded from political influence. Instead, the Swedish state attempted to devise forms of cooperation that both parties could accept in order to by that means attempt to reconcile the interests of the labor movement with what it perceived as the public interest in social peace. The means to that end chosen by the Swedish state were institutions in which open conflicts could be transformed into dialogue.
On the difficult art of sending signals about trust

Thus, even before the Saltsjöbad Agreement, there existed a clear collective memory among the actors that cooperation towards common interests was possible within the framework of impartially arranged institutions. But as shown in chapter six, such institutions are notoriously instable, because each party can always change them to its own advantage. In a situation characterized by extensive antagonisms of interests, producing trust that impartial institutions will remain impartial is, according to our theoretical assumptions, very difficult. Accordingly, it probably required something more than just the collective memory noted above for this to work, especially since history gives no guarantees about the future. For theoretical reasons, we should return to the meaning of Per-Albin Hansson’s choice of strategy after the Ådalen incident.

What he did with his unequivocal defense of the principles of the rule of law, his criticism of union violence against strikebreakers, and his policy that the state should not help the unions towards a law against strikebreaking that protected their interests alone was the following. He sent a clear signal to management concerning his views on the role of state institutions with respect to the position of each party and conflicts in the labor market. Unlike the communists, but also unlike large factions of his own party (including Ernst Wigforss), he took the position that the state and its laws would not be reshaped with his help to unilaterally favor the LO side (Nycander 2002, p. 56ff). He declared forthrightly in the Riksdag that the state he was to lead would not become a unilateral instrument in the service of the unions. He remarked in the Riksdag that “the union movement, like other powers in society, must subordinate itself to the public interest and adjust itself to the public sense of justice” (Lower House, 1935:4, p. 12). However, words alone do not always inspire trust. What made the signal credible to SAF should have been that he did not hesitate to take up the fight for that position within his own party and his own movement (Isaksson 2000).

Therewith, the signal to the management side was transmitted: under Hansson’s leadership, state institutions would remain universal with respect to the parties’ position in the labor market and would not be changed into particular institutions to the benefit of the special interest group most closely aligned with his party. The Ådalen incident may thus to a certain extent be said to have been the prerequisite for the Saltsjöbad Agreement, in that it gave

17 Undoubtedly, the social democratic and LO policy of starting a relentless battle against the communists within the union movement also played a central role as a signal to the management side. The stubbornly fought
Hansson (and LO leadership) the opportunity to establish a position on the matter of state impartiality that could be perceived by the opposition as trustworthy. That policy was to apply in the Swedish labor market until the labor law offensive that LO and SAF began four decades later (Nycander 2002, p. 299ff). That Hansson’s signal was understood very clearly by one of the leading actors on the management side, SAF president Gustav Söderlund, is evident in two much-noted speeches Söderlund gave at the LO school in 1935, i.e., in conjunction with the opening of the Saltsjöbad negotiations.

Firstly, he used two of Hansson’s principles as his own main points. The first was that management must unconditionally acknowledge the unions as legitimate opponents. He went so far as to say that what the unions had achieved thus far for their members was "a great deed" and that the unions had "become, in the large companies of our era, necessary bodies for cooperation between management and labor" (Industria 1935, p. 331). While there was no getting around the antagonism between capital and labor, it was to Söderlund as natural as the antagonism between buyer and seller concerning the price of goods in any market whatsoever. He believed, however, that those antagonisms were best resolved by means of orderly negotiations, as open conflicts were not worth the price to either party.

The second of Hansson’s principles that Söderlund made his own was the matter of state impartiality. He recounted in detail many of the failed attempts to secure labor peace in other countries through the compelling power of the state. His conclusion was that such measures could not be taken without favoring one of the two parties. He then added:

> If each party, on matters about which it feels most hard pressed, seeks to obtain the intervention of the state to escape the difficulties, all will soon be mired in a system where liberty is progressively constricted to the benefit of state compulsion. We must not believe that either party can, over the long-term, enjoy the state’s help and protection of its interests and still retain its liberty in other areas. It is high time that this is clearly understood by both sides (Industria 1935, p. 339).

Per-Albin Hansson’s signal, which in this case was ardently amplified by his brother Sigfrid in the LO magazine, had obviously been understood by the opposition. However, it should also be noted that Söderlund here as well perhaps gave us the solution to the riddle of how contests against the communists were, for instance, reported extensively in the SAF magazine Industria (e.g., 1933, pp. 201, 244, 296, 375f; 1934 p. 329).
impartial institutions can rise and survive – the element of uncertainty and risk. If the actors in a game like this are secure in the knowledge that they enjoy superior political power, it is naturally in their interests to abandon the principles of impartiality and universalism and attempt to change the rules of the game so that they always benefit their own party. But if they are not entirely sure of always being in such a favorable position, the choice of impartial and universal institutions may be preferable.
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