
WAGE-EARNER FUNDS

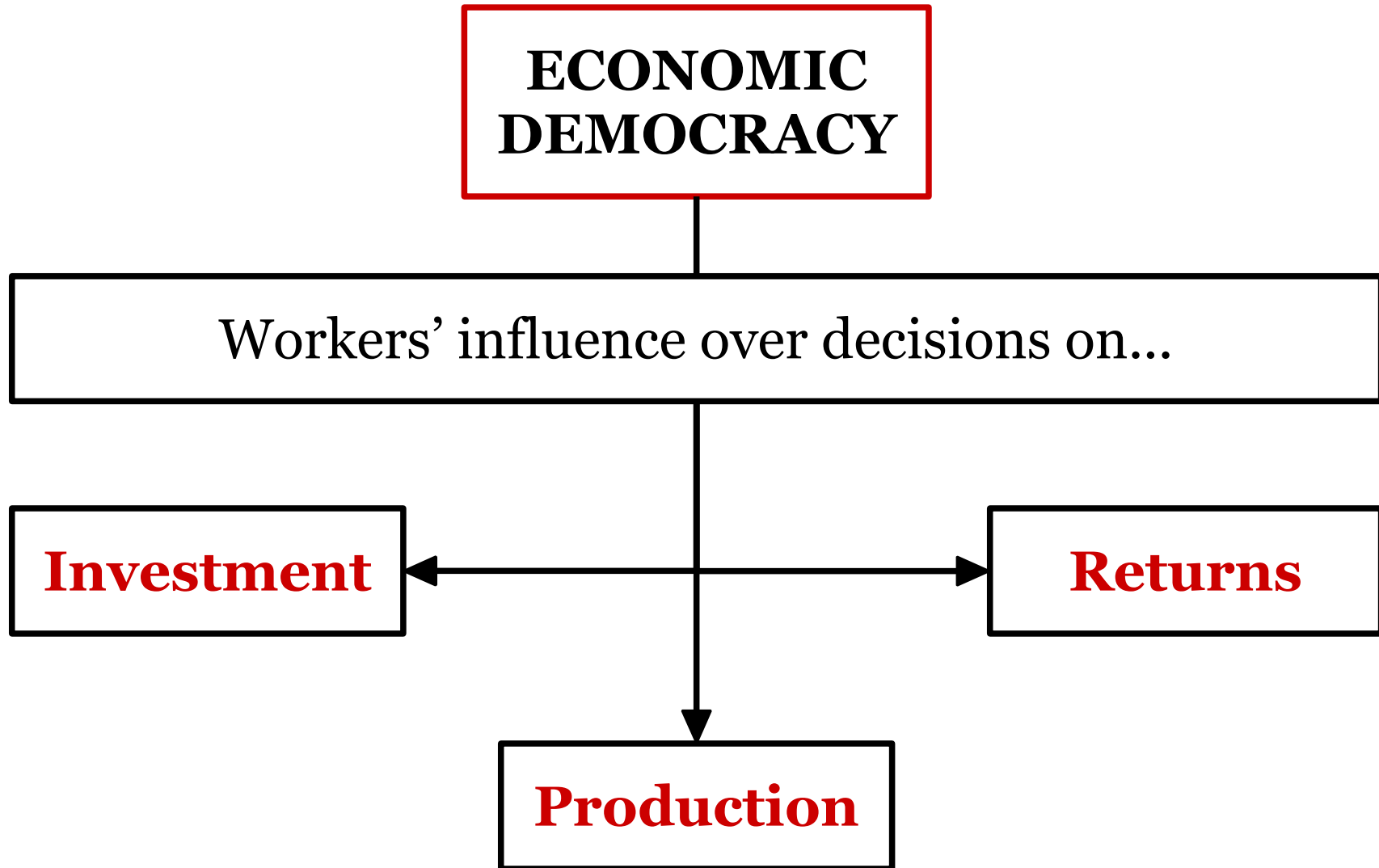
A way towards industrial democracy?
(The Swedish case)

Mario del Rosal, PhD
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“Democracy cannot stop at the factory gates.”

Ernst Wigforss

WHAT IS ECONOMIC DEMOCRACY?



REFORMIST STRATEGIES

ECONOMIC DEMOCRACY

“Parity principle”

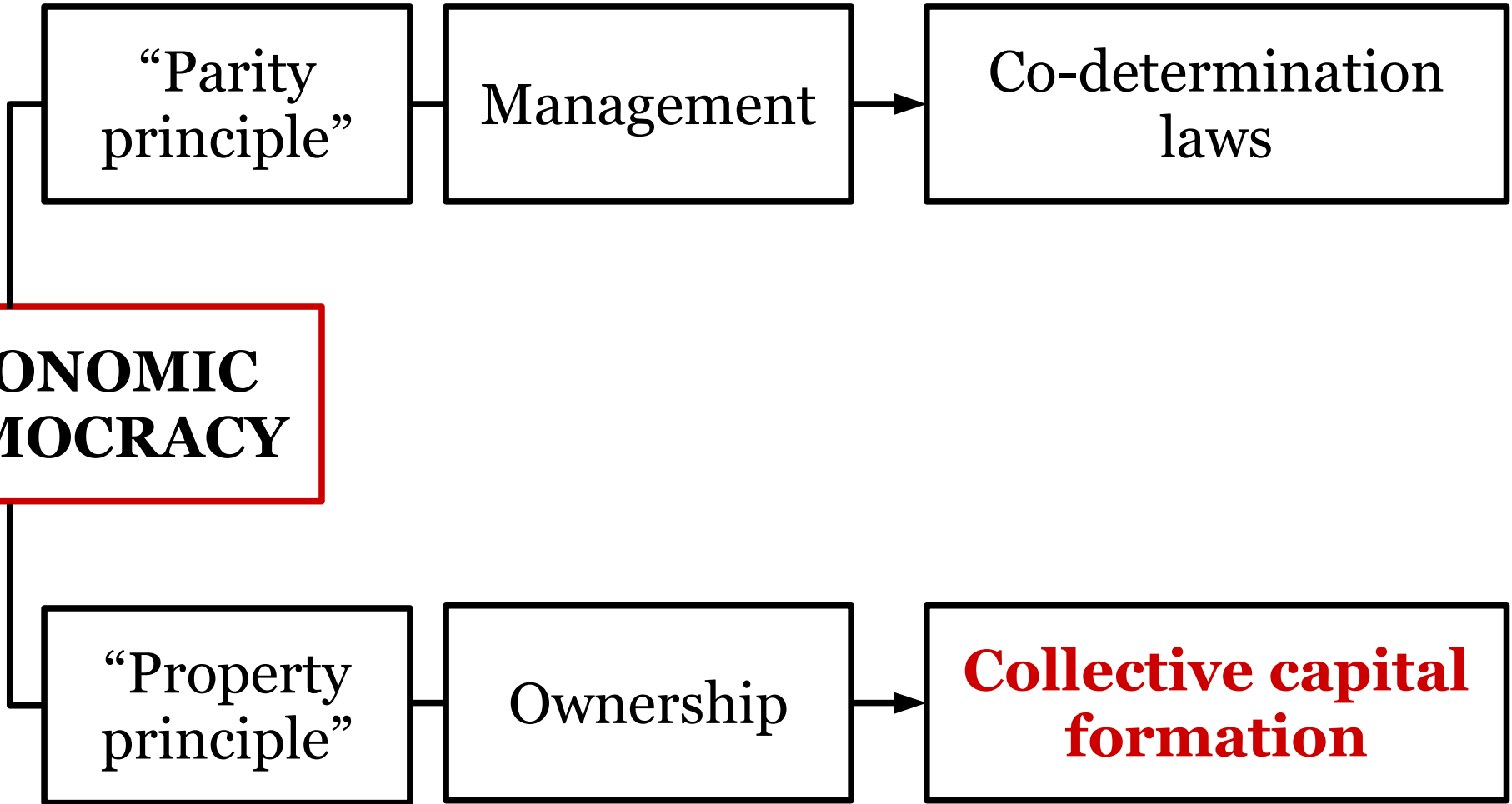
Management

Co-determination laws

“Property principle”

Ownership

Collective capital formation

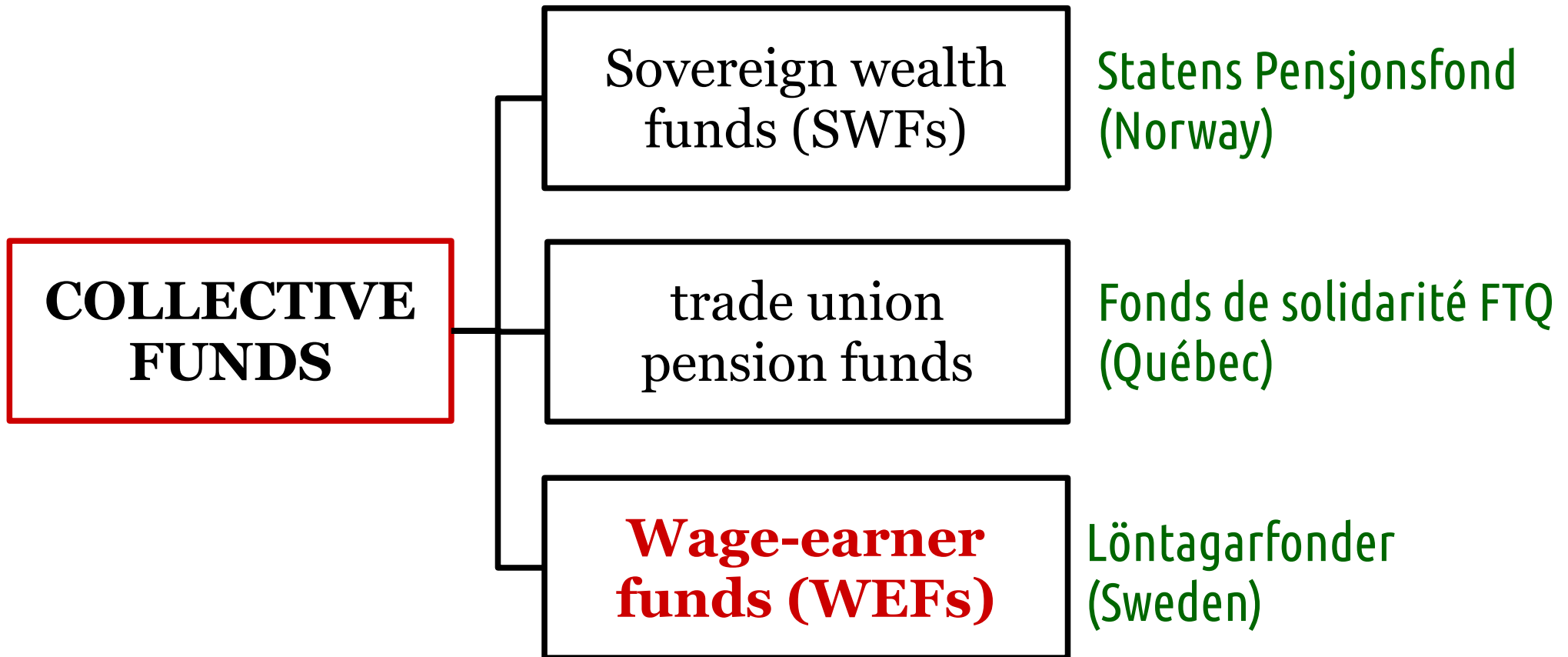


WHAT IS COLLECTIVE CAPITAL FORMATION?

“Gradual accumulation of capital on a multi-enterprise basis on behalf of given groups of working people or given communities of citizens, at local, regional, national, or supranational level, for their **collective benefit**, with these groups gaining increasing **ownership** of the enterprises in question through **funds** which are the recipients of the capital.”

Sjöberg and Dube

COLLECTIVE FUNDS EXAMPLES



PREVIOUS (REJECTED) WEFs VERSIONS

GERMAN VERSION (Gleitze plan: 1950s, 1974)

- Originally scrip issues based on profits; eventually to be financed by profit taxes (up to 10%); managed by trade unions.
- Individual certificates, 7 years redemption period.

DUTCH VERSION (1960s, 1975)

- Financed by profit taxes (up to 20%), mostly in equity.
- Individual certificates, 7-10 years redemption period.

DANISH VERSION (Kampmann plan: 1973)

- Financed by wage taxes (5%). 2/3 in equity, 1/3 in cash.
- Individual certificates, 7 years redemption period.

BRITISH VERSION (1973)

- Similar to the Danish proposal, but financed by taxes based on companies valuation and much smaller proportion in cash.

THE ORIGINAL PROJECT: MEIDNER PLAN (70s)

- Companies with 50 employees or more would transfer 20% of their net profits to WEFs in the form of newly created stocks (scrip issue). It would only transfer ownership, no cash.
- One central fund run by trade union cadres and, to a lesser extent, by capital and govt. representatives. Some decentralized control by local employees (up to 50%).
- Dividends used to buy new shares and to finance educational and management training programmes for workers.
- Neither individual certificates nor redemption rights → a principle of pure collective property.

THEORETICAL RESULTS IN TERMS OF OWNERSHIP

Profit rate	Years to socialise
1%	346
2%	173
5%	69
10%	35
15%	23
20%	17
30%	11
40%	9
50%	7
100%	3
200%	2
>250%	1

“Probably nowhere in the Western world was the power of capital more democratically threatened in the 1970s than in Sweden.”

David Harvey

REACTION OF CAPITAL

“A frontal assault on the sanctity of private ownership”
(Blyth, 2001)

“The main threat for the Swedish Model”
(Myrdal, H.G., 1980)

“Revolution in Sweden!”
(Dagens Nyheter, 25/8/75: Sjöberg, 2005)

“Pure and unadulterated socialism”
(Whyman, 2004)

“Biggest confiscation ever seen in Western world”
(Whyman, 2004)

REACTION OF LABOUR

- Negative public opinion fuelled by capital, right wing parties and mass media.
- Allegedly too powerful trade unions would get more power.
- No individual benefits for workers, but for the working class as a whole.
- Public employees could not participate.

REACTION OF SOCIAL DEMOCRACY

- Economic crisis of the 70s: unemployment, stagnation, dramatic fall of investment, currency problems.
- Electoral decline (1973, 76, 79: lowest support since 1936).
- Radical implications far from traditional SAP's pragmatism and reformism.

“Meidner plan was very radical and they [SAP] were not.”

Robin Blackburn

WATERED-DOWN IMPLEMENTATION (1984-1991)

- Only in firms with more than 500 employees (10% of total).
- Five regional funds instead of one central fund.
- Payments in the form of cash instead of scrip issue.
- Payments financed by taxes on wages (0,2%) and profits (20% over 1 million SEK) → 2/3 paid by workers and 1/3 by capital.
- Taxes transferred to the public pension system, which then allocated a maximum of 400 million SEK per year to each fund.
- Compulsory 3% real return to the public pension system → profitability and short-term portfolio strategy instead of management control aim and long-term investment.
- Each fund limited to a shareholding of 8% in any company → precluded from gaining a controlling stake.

WATERED-DOWN IMPLEMENTATION (1984-1991)

Compared with the original plan, results were disappointing:

- 20,000 SEK million accumulated in 1990: 3.5% of Stockholm Stock Exchange volume.
- No single fund could surpass neither 3.5% of voting rights nor 5% of shareholding → marginal influence on investment policy and far from industrial democracy.

Abolition and winding-up:

- Abolished in 1991 by conservative coalition government.
- Assets split to fund small enterprises and RD projects.

POLITICAL OBJECTIVES

- 1) Increase workers' influence in corporative management and capital accumulation.
- 2) Prompt socialisation of capital.
- 3) Strengthen trade union power.
- 4) Enhance class solidarity and consciousness.

ECONOMIC OBJECTIVES

- 1) Increase and co-ordinate capital formation and investment according to general economic policy objectives.
- 2) Fight against growing capital and wealth concentration.
- 3) Consolidate the public pension fund system and face the so-called “pension crisis”.
- 4) Solve solidaristic wage policy (Rehn-Meidner Model) problems and contradictions:
 - Extraordinary profits for export companies.
 - Stagnation of high-level employees' wages.
 - Income transfer from labour to capital.

ECONOMIC OBJECTIVES

Specifically, WEFs would **accumulate capital at a stable rate** regardless of profit expectations. This would:

- Reduce investment and growth dependency on profits.
- Soften investment sharp declines in crisis.
- Reduce short-term focus of investment policies.
- Take employment into consideration within crisis.
- Allow labour control over accumulation.

CONCLUSIONS AND CONTRADICTIONS

WEFs can be a real way towards economic democracy

*“Power over people and production belongs to the owners of capital. With wage-earner funds the labour movement can repeal this injustice. If we do not deprive capital owners of their ownership, we can never fundamentally alter society and carry through **economic democracy**”.*

Rudolf Meidner

CONCLUSIONS AND CONTRADICTIONS

WEFs are a means to foster investment and full employment

*“I conceive, therefore, that a somewhat comprehensive **socialisation of investment** will prove the only means of securing an approximation to full employment [...]. Moreover, the necessary measures of socialisation can be introduced gradually and without a break in the general traditions of society.”*

John Maynard Keynes

CONCLUSIONS AND CONTRADICTIONS

But WEFs abolish neither market economy nor the contradictions of capitalism

*“WEFs are the epitome of the eternal dilemma of Social Democracy: how to abolish the negative **consequences** of capitalist system without damaging at the same time the **laws and mechanisms** of this system”.*

Erik Åsard

PROPOSALS FOR DEBATE: previous issues

- Would European trade unions support WEFs?
- Would trade unions be able to manage properly their double and contradictory role as capital owners and labour representatives?
- Would European Social Democracy support WEFs?
- Would WEFs be possible under current political conditions?
- Would WEFs be possible under economic globalization and MNC's ruling power?
- Would European Union tolerate WEFs?

PROPOSALS FOR DEBATE: technical political issues

- **Basis.** National, international, supranational?
- **Management.** trade union, local workers representatives? Company managers participation? Government appointment?
- **Stake control limits.** Restricted voting rights?
- **Scope and coverage.** Only some sectors or the whole economy? What about public employees?

PROPOSALS FOR DEBATE: technical economic issues

- **Financing.** Profit taxes, company valuation-based taxes, payroll taxes, income taxes? What burden?
- **Form.** Scrip issues, cash, a combination of both? Included in the public pension funds system?
- **Redemption.** Redeemable individual certificates or purely collective? Minimum period? At retirement?
- **Investment policy.** Industrial-regional policy objectives? Minimum return rate?

PROPOSALS FOR DEBATE: objectives

- Would WEFs help to fight against current neoliberal policies (permanent wage adjustments, fiscal austerity)?
- Would WEFs help to improve economic performance?
- Would WEFs help European left and trade unionism to recover from their ideological convalescence?
- Would WEFs help to empower the working class?

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Thank you!

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