Sweden: Economic turmoil hits privatisation drive

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27 February 2008

For decades, the "Swedish model" has been invoked by those who claim it is possible to regulate the economy on a national basis, with relatively high levels of social and welfare spending.

To the extent this was possible during the twentieth century, especially in the period of the post-World War II boom, the last 15 years have seen a major effort by the Swedish bourgeoisie to roll back the gains and social position of the working class. The announcement last year by the conservative-coalition Alliance government of a raft of proposed privatisations was the culmination of a process driven by global finance capital and supported by the Social Democrats and the trade union bureaucracy.

But with prospects of a worldwide recession growing, the Swedish government's privatisation programme has encountered problems. Whilst playing down the affects on companies currently in the process of being sold, government minister Mats Odell was forced to admit in a radio interview on January 22 that the sale of state banking assets would have to be put on hold. He commented it is currently "clearly not the right time" to sell banks.

The Swedish government has a stake in Scandinavia's biggest bank, Nordea, and also owns the mortgage firm SBAB.

The Alliance, consisting of the Moderate, Centre, Liberal and Christian Democratic parties, came to power in September 2006 as a result of voters' frustration with the rightward trajectory of the incumbent Social Democratic government. Having made calls for increased competition and privatisation of state-owned companies, in March of last year, the new government announced that around 150 billion Swedish kronor (SEK) worth of state assets would be put on the market in a three-year period.

Before moves to privatise assets last year, the Swedish state held stakes in 54 companies, employing an estimated workforce of 180,000 people.

The current proposal being put forward involves the sale of government stakes in six companies, Nordea and SBAB, V&S (the company that owns the Absolut Vodka brand), the telecommunications group Telia-Sonera, OMX (a stockmarket operator) and commercial retail firm Vasakronan.

Mats Odell, the minister in charge of the sell-offs, left no doubt as to the main concerns of the government. "We close no doors; we keep all options open," he said. "The only requirement is that it makes business sense."

That "business sense" was explained by Handelsbanken Capital Marketing chief Mikael Ericson. He noted, "It is natural for Sweden to open up further and take part in European and global competition."

Since then, the government has succeeded in selling 8 percent in Telia-Sonera last May, but was forced to temporarily withdraw plans to sell its stake in SAS, the part-state-owned Scandinavian airline, due to fears it would provoke large-scale opposition from workers.

This is not the only difficulty that the administration, led by Frederick Reinfeldt, has had to face. Over the course of 2007, a scandal blew up involving Carnegie, a leading Swedish bank that had been playing a major role in advising the government with regard to its privatisation plans. It emerged that three traders had inflated the value of their portfolios in the region of SEK600 million, with the result that Carnegie had overestimated its profits by around SEK200 million.

Karen Forseke, appointed by the government as the chief advisor on its privatisation drive, previously held the position of chief executive within Carnegie for part of the time when the scandal developed. In view of this, she was forced to resign her position in early October of last year.

The Financial Services authority organised an investigation into the issue, indicting Carnegie for not having robust enough internal controls to guard against such deceptions. It forced the resignation of the entire board of the bank, and Carnegie later withdrew completely as an advisor to the government.

While the government has attempted to justify the privatisations by claiming that funds will be used to reduce Sweden's debt, this explanation is threadbare. Sweden's level of debt is one of the lowest in Europe, and the moves to privatise vast swathes of state-owned assets find a much more convincing explanation when one realises the vast amounts of profit that would be accrued by corporate circles.

A further vital consideration of the government is that this will allow a vast "freeing up" of the labour market in Sweden, increasing so-called job competitiveness and flexibility. This reflects concerns from business that the Swedish economy, with its still relatively high levels of public spending and welfare support, is falling behind its European and world competitors. As Klas Eclund, chief economist with SEB has put it, "It's very expensive to hire people in Sweden because they pay very high taxes and also because of lots of legislation."

Recent polls indicate that opposition to the government is growing. A January 25 poll published in *Dagen Nyheter* found that the main opposition parties held an advantage of around 20 percent over the Alliance government. Figures illustrating the growing consternation among Swedes regarding the performance of the economy in the coming period have also appeared, sentiments that were backed up by Nordea in a report noting that for the first time in four years, growth would fall below 3 percent.

Anders Borg, the finance minister, noted the link with problems in the United States. "We see a slowdown internationally with the US housing market, and clear repercussions for Swedish exports," Borg told Swedish television. "That means a significant downgrade of the forecasts we have had previously."

The National Institute for Economic Research (Konjunkturinstitutet—KI) commented that the trend could be seen across the Swedish economy. "The confidence indicators for the manufacturing industry, the private service sector, the retail trade and consumers all fell in January. The confidence indicator for the construction industry fell the most, but from historically high levels," the statement read.

It went on to predict that a strained labour market with rising wages could result in increased inflation, which is at its highest level since 1993 and has bypassed the target of 2 percent set by the central bank, reaching 3.5 percent.

The government is keen to press ahead with its privatisations, which will enable increased pressure to be placed on the labour market to cut costs and maximise profits.

Nevertheless, it must proceed with caution, since it may find that prospective investors are unwilling to purchase stakes in companies at their full value at a time when nothing is certain regarding financial markets.

The Alliance government has combined its privatisation drive with moves to liberalise employment regulations to force people into work and a raft of tax-cutting proposals for business and the wealthy. In its most recent budget late last year, a cut of unemployment and sickness benefits amounting to SEK13.4 billion (1.43 billion euros) was announced. Added to this, cuts in company tax and personal income tax amounting to SEK14 billion (1.5 billion euros) were unveiled.

The attacks on the benefit system mean that employers will no longer be obligated to contribute to employees' sickness benefit schemes. Employers can demand a doctor's certificate from the first day of sickness, and the upper limit in sickness benefit payments will be lowered, with the result that someone earning SEK20,000 (2,140 euros) per month will lose SEK3,460 (370 euros) over the course of a year. Another crippling measure will be the implementation of varying payments for employment insurance, based on the level of unemployment in each particular sector of work. This measure will disproportionately affect lower-paid workers who work in industries with higher unemployment figures.

Taken as a whole, this represents a major assault on the Swedish working class. Any belief that the so-called "Swedish model" could be maintained in an environment of increasing global competition has been definitively dispelled. Rather, it has been demonstrated that the fate of the Swedish economy, as with all other national economies, is bound up with demands of international capitalism.

The programme of privatisations, tax cuts and reduction in welfare spending, despite tactical differences, is shared by the nominal opposition Social Democrats. Spokesmen have criticised the speed with which the government has proceeded with the sale of companies, rather than the principle of privatising state assets itself.

But the Social Democrats have not been averse to deregulation in the past. The party was instrumental in the deregulation of many areas in the private sector in the 1990s, such as telecommunications and the auto industry. It presided over a period when Vasakronan, one of the companies currently being prepared for sale, saw its dependence on government rents drop from 100 percent to 35 percent. Added to this, there is the fact that SBAB was given a mandate to stimulate competition in the private sector at a time when the Social Democrats were in government, with the result now that according to a report in the *Times* of London, it is struggling to keep its market share.

Likewise, the opposition to these proposals advanced by the trade unions in Sweden will be a dead end for workers. There is a longstanding record of Swedish unions attempting to encourage nationalist sentiments among workers who oppose such privatisation measures. The union bureaucracies hope to maintain their longstanding and lucrative relations with the Swedish state, cutting a deal with Swedish capitalism to protect their privileges in exchange for maintaining the social peace. But in the final analysis, they will seek to maintain their relations with corporate management by imposing whatever attacks are demanded.