

Minority government formed in Sweden

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With the Riksdag having reconvened on October 4 after last month's parliamentary elections, the right-wing Alliance led by Frederick Reinfeldt has decided to attempt to continue in government despite failing to achieve an outright majority in the vote. His four-party bloc fell 2 seats short of an overall majority, achieving 173 out of 349 seats.

The election result was so close that there is still speculation that a number of local regions could re-run the vote. The election review board has received a record number of complaints, many referring to votes in areas where the allocation of seats was decided by only a handful of votes. Reviewing such appeals could take several months.

In the meantime, Reinfeldt has indicated that he will seek support from opposition parties to pass government legislation, although he has publicly refused to rely on the far-right Sweden Democrats. Nonetheless, in the election for the speaker of parliament, which took place on the opening day, the Alliance candidate Per Westerberg was re-elected with the help of all 20 Sweden Democrat votes, with the candidate of the opposition Red-Green alliance narrowly defeated.

In putting his government together, Reinfeldt has expanded the number of minister portfolios in order to meet the competing demands of the four Alliance parties. While his own Moderate Party made certain gains in the vote, the Centre and Christian Democrat parties fell back, resulting in a reduction in the number of ministries they will hold.

Outlining the programme of the new administration, Reinfeldt and Finance Minister Anders Borg pointed to figures showing Sweden returning to economic growth as the basis for a number of government spending commitments to support pensioners, help the unemployed and encourage small businesses. In the budget for 2011 presented on October 12, Borg pledged

to cut taxes for pensioners and provide 13 billion kronor (€1.39 billion) to support bringing people back in to work, as well as increase funding for local authorities next year.

This was all on the assumption that Sweden's economy will grow by 4.8 percent this year and 3.7 percent in 2011, figures that SEB and Nordia, two of the country's leading banks, described as "optimistic." Even the government was compelled to acknowledge that in spite of the higher than expected growth figures accompanying the budget statement, "Sweden is still in a period of low economic activity and high unemployment (over 8 percent). And there are still risks that developments will be less favourable than expected."

The main concern that could bring about such a scenario was that "major problems in government finances in other countries may affect the Swedish economy as well."

Sweden is a relatively open, export-dependent economy, so any destabilisation in Europe in particular would spell problems for domestic growth. It is not hard to see where such difficulties could arise, with countries including Greece, Spain, Ireland and Italy facing serious budget deficits and even the threat of state bankruptcy.

The Alliance also plans to sell off approximately 100 billion kronor (€10.71 billion) of state assets over the lifetime of the current parliament, with the budget assuming that 25 billion kronor would be raised each year that could be used to boost spending.

But this is also predicated on the health of the economy, which could deteriorate and prevent the government from obtaining an adequate price for assets in companies including telecommunications firm Telia Sonera and the mortgage company SBAB. As Financial Markets Minister Peter Norman admitted to business daily *Dagens Industri*, "I have no time plan whatsoever

for this [the sell-offs]. It will have to take the time it takes.”

In the first two years of its first term in government, the Alliance sold off almost 100 billion kronor in state assets in what was then the biggest privatisation drive in Swedish history. This came to a halt with the onset of the global capitalist crisis in 2008. In the event the economy deteriorates in the coming period, the planned second wave of sell-offs will be put on hold, which will force the government to reconsider some of the spending commitments that it has made in the budget.

With the Alliance in a minority, there is a possibility of the government being defeated on several votes. But the opposition is divided, with the Social Democrats, Left Party and Greens refusing to cooperate with the Sweden Democrats, whose votes would be required to defeat government legislation.

One high-profile area where agreement exists across the opposition is for a timetable for the withdrawal of Swedish troops from Afghanistan. The Red-Greens called for this in their election manifesto, while the Sweden Democrats urge a troop withdrawal in order that Sweden’s domestic defences can be strengthened. The Alliance will table a motion on the continued presence of Swedish troops in Afghanistan on November 4.

Although the Social Democrats remain the largest opposition party, its final vote total of less than 31 percent represented a historic low. While party leader Mona Sahlin decided to remain in her post, questions have been raised about the direction of the party. A so-called crisis commission is examining policy, and in the aftermath of the election defeat, it was announced that an extraordinary congress of the party would be held before the next scheduled congress in 2013. One of the reasons given by Social Democrat sources for the emergency congress was for the continuation of the Red-Green alliance to be voted on, while others have speculated as to whether it could lead to a challenge to Sahlin’s leadership.

Some commentators have claimed that they have lost the political “centre” to Reinfeldt and his Alliance, leading to falling support within the middle classes. In reality, the Social Democrats have mirrored social-democratic parties internationally in their move to the right alienating its traditional support base.

This was exemplified by the party’s intention, along

with its Red-Green coalition partners, to present an “alternative budget” in response to the Alliance’s spending commitments that would accept the same framework. Sahlin has held talks with Reinfeldt to identify areas of cooperation between the Social Democrats and the Alliance, with immigration and asylum policy being cited. Framed as a means to limit the influence of the far right, such discussions illustrate the lack of any principled differences between the major parties on a number of policy areas.



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