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# From Marxist Venture to Venture Capitalists: The Swedish Wage-Earner Funds and the Market Turn, 1983–1994

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A renewed political interest in profit sharing and employee codetermination prompts an analysis of the Swedish wage-earner funds, implemented by a Social Democratic government in 1983 and dismantled by a center-right government in 1991. This article explains the funds' financial performance and the political decisions surrounding their dismantlement. It finds that the funds underperformed slightly in relation to financial targets. Reasons include inexperienced boards, limited investment opportunities, and a hostile attitude from the business community. For the center-right parties, getting rid of the funds was an ideological decision. Transferring the assets to research foundations and public venture capital funds would improve the business climate, compensate firms for taxes paid to finance the wage-earner funds, and ensure that the Social Democrats would not be able to reinstate the funds. The intense debate surrounding the wage-earner funds, their implementation, how they functioned in practice, and their dismantlement clearly contributed to Sweden's sharp market turn in the 1980s and 1990s.

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**Keywords:** Sweden, Wage-Earner Funds, Market Turn

## Introduction

Politicians on the left in both the UK and the United States have recently proposed reforms to broaden employee ownership in firms as part of larger reform packages to increase public control and management of the private sector. In 2018, the British Labour Party suggested “inclusive ownership funds” for firms with more than 250 employees. Such funds should be owned and managed collectively and give employees dividend payouts and voting rights.<sup>1</sup> In the United States, Senator Bernie Sanders proposed a similar reform while campaigning in

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1. “Labour Conference: John McDonnell Unveils Shares Plan for Workers,” BBC.com, September 24, 2018, [www.bbc.com/news/uk-politics-45621361](https://www.bbc.com/news/uk-politics-45621361).

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2019 to become the Democratic Party's presidential nominee. Large companies should issue a certain amount of shares each year to a "Democratic Employee Ownership Fund" until the fund owned 20 percent of the firm. In this case as well, the funds were to be controlled by a board of trustees elected by the employees, who would also receive stock dividends.<sup>2</sup>

Although industrial democracy<sup>3</sup> and workers' codetermination have been a political issue in the West since at least the 1960s, only Sweden has implemented collective, worker-controlled ownership funds. Different types of funds were discussed but never implemented in Germany, Denmark, the Netherlands, and the UK in the 1970s. However, France did impose a compulsory savings scheme for profit sharing in firms with more than one hundred employees in 1967. Employees were entitled to a share of "excess profits," but the firms were still fully compensated through the tax system. Employees could then place their savings in stock in the firm they worked for, in funds lending out money to the firm, or in mutual funds.<sup>4</sup>

In 1984, a Social Democratic government in Sweden launched five regional wage-earner funds (*löntagarfonder*). Although the intense debate and opinion molding efforts of organized business prior to their implementation have been well covered in the literature, this article focuses on the funds' asset management and the political considerations related to their liquidation in the early 1990s. The aim is to understand how a Marxist-inspired proposal for transferring private ownership of firms to unions developed into stock market investing and venture capitalism and, eventually, contributed to financing the deregulation of the Swedish welfare sector. This story, with its obvious historical irony, is too remarkable to be left untold and will deepen our understanding of Sweden's sharp market turn.

In the literature, the "market turn" is used to describe the gradual shift, in the 1970s and 1980s, away from Keynesian demand management and an expanding public sector to more of a neoliberal economic policy. As both a political and intellectual project, neoliberalism has its roots in the interwar period, when a group of European academics sought a new type of liberalism, separated from its nineteenth-century, *laissez-faire* predecessor, and the social liberalism of the time. For the early neoliberals, the concept was based on four basic ideas: prioritizing the price mechanism, free enterprise, competition, and a strong and impartial state. However, it was not until the politically turbulent 1970s, with its stagflation and collapse of the Bretton Woods system, that these ideas, then mainly in the form of deregulation, market-based reforms, and monetarism, became a real alternative to Keynesianism. The increasing market friendliness among Western policy makers on both sides of the political spectrum

2. Gregory Krieg and Ryan Nobles, "Bernie Sanders Wants to Give Workers an Ownership Stakes in Big Companies," CNN.com, October 14, 2019, [edition.cnn.com/2019/10/14/politics/bernie-sanders-worker-ownership-plan/index.html](https://edition.cnn.com/2019/10/14/politics/bernie-sanders-worker-ownership-plan/index.html). Sanders's proposal included publicly traded firms or firms with more than \$100 million in revenue or balance sheets extending the same amount.

3. The term *industrial democracy* is closely related to *economic democracy*. Although the distinction between the two is not always consistent, the former usually relates to a micro, workplace level, whereas the latter concerns the economic macro level. See also Wuokko, Fellman, and Kärrylä, "Victory through Defence," 20; Kärrylä, *Democracy and the Economy*, 2, 23–25; Müller-Jentsch, "Formation, Development," 46–48.

4. SOU 1979:8, 15–35. Note also that Yugoslavia's economic system was based on firms controlled by neither capital owners nor the state but by employees. However, the Communist Party still controlled who was elected to management positions, *Nationalencyklopedin*, s.v. "Jugoslavien," accessed July 20, 2021, <https://www.ne.se/uppslagsverk/encyklopedi/lång/jugoslavien>

beginning in the 1980s is well covered in the literature,<sup>5</sup> and in recent years, historians have become increasingly interested in the abandonment of Keynesianism and the rise of neoliberalism in the Nordics. In the Swedish case, Orsi Husz and David Larsson Heidenblad note the intrinsic link between the market turn and the turmoil surrounding the wage-earner funds.<sup>6</sup> Westerberg writes that the dismantlement of the wage-earner funds in the early 1990s “marked the end of a century-long ideological brawl over private ownership” between organized capital and organized labor.<sup>7</sup> The market turn was an international phenomena, but the pace at which Sweden deregulated earlier state monopolies and introduced private alternatives in the public sector, including a publicly funded voucher system for private schools, was exceptional from an international perspective.<sup>8</sup>

The wage-earner funds have resulted in scholarly interest starting in the mid-1980s, with accounts in both English and Swedish regarding their background, the political debate surrounding them, and their performance as investors and vehicles for economic democracy.<sup>9</sup> Previous research has found that the Social Democratic leadership considered the original proposal radical and not entirely realistic, even though it was popular among the party grassroots. The intense debate and the radical nature of the proposal also made it difficult for the Social Democrats to reach a compromise with other parties and business representatives.<sup>10</sup> One of many issues concerned the proposal vesting power with the trade union bureaucracy rather

5. See, for example, Plehwe, Introduction to *The Road from Mont Pèlerin*; Mudge, “What Is Neoliberalism?”; Jones, *Masters of the Universe*.

6. For Finland, see Wuokko, “The Curious Compatibility” (on neoliberalism and corporatism in Finland) and Kärrylä, *Democracy and the Economy* (on the relationship between democracy and the economy in contemporary political thought and policy making in both Finland and Sweden). For a broad description of the market turn in Norway, see Innset, *Markedsvendingen*. Niklas Olsen and Jacob Jensen have recently written about Danish economist Jørn Henrik Petersen and his role in introducing “third-way” reforms in Denmark, see Olsen and Jensen, “Jørn Henrik Petersen.” A recent study on the market turn in Sweden, and specifically the popularization of stock saving and the domestication of consumer credit, is Husz and Larsson Heidenblad, “Making of Everyman’s Capitalism.” Other studies on the rise of neoliberalism in Sweden include Andersson, “Model of Welfare Capitalism?” and Boréus, *Högervåg*. For a critical study on the relationship between the Nobel Memorial Prize in Economic Sciences and the market turn, see Offer and Söderberg, *Nobel Factor*.

7. Westerberg, “Socialists at the Gate,” 314.

8. Bergh, *Den kapitalistiska välfärdsstaten*, 66–83 and Appendix A; Karlson, *Statecraft and Liberal Reform*, 78–79, 86–87.

9. Meidner, “Collective Asset Formation”; Hancock and Logue, “Sweden”; Lyon, “Swedish Wage Earner Funds”; Elster, “Possibility of Rational Politics”; Olsen, “Labour Mobilization”; Olsen, *Struggle for Economic Democracy*; Pontusson, *Limits of Social Democracy*; Pontusson and Kuruvilla, “Swedish Wage-Earner Funds”; George, *Economic Democracy*; George, “Political Economy of Wage-Earner Funds”; Meidner, “Why Did the Swedish Model Fail?”; Blyth, “Transformation of the Swedish Model”; Whyman, *Sweden and the “Third Way”*; Whyman, “Analysis of Wage-Earner Funds in Sweden”; Whyman, “Post-Keynesianism, Socialisation”; Whyman, “Case for the Swedish Wage-Earner Funds”; Furåker, “Swedish Wage-Earner Funds”; Westerberg, “Socialists at the Gate”; Kärrylä, *Democracy and the Economy*. Titles are mentioned in chronological order. Note that the empirical parts in Whyman, “Case for the Swedish Wage-Earner Funds” and “Post-Keynesianism, Socialisation” are reiterations of Whyman “Analysis of Wage-Earner Funds in Sweden.” Readers familiar with Swedish will also have use of Meidner, *Om löntagarfonder*; Åsard, *Kampen om löntagarfonderna*; Gilljam, “Svenska folket och löntagarfonderna”; Stråth, *Mellan två fonder*; Meidner, *Spelet om löntagarfonder*; Andersson, *Mitt i steget*; Viktorov, *Fordismens kris och löntagarfonder* (English chapter summaries); Magnusson, “Ägande via fonder”; Nycander, *Makten över arbetsmarknaden*, ch. 14.

10. Viktorov, *Fordismens kris och löntagarfonder*, ch. 5; Östberg, *När vinden vände*, 252–257; Åsard, *Kampen om löntagarfonderna*, 140–144; Nycander, *Makten över arbetsmarknaden*, ch. 14 (esp. 356–362); Kärrylä, *Democracy and the Economy* ch. 4; Berggren, *Underbara dagar*, 555–560.

than the employees or the wage-earner collective as a whole.<sup>11</sup> Several scholars have acknowledged that the wage-earner funds implemented in early 1984 never posed a real challenge to a market-based economic order in Sweden. Capped ownership in listed firms ensured that the funds did little to increase union power in board rooms or shareholder meetings.<sup>12</sup> Others have pointed to how external factors, primarily anti-fund campaigns initiated by organized business, discredited the proposal and managed to sway the public to adopt a negative view.<sup>13</sup> The campaigns borrowed tactics from labor, such as mass rallies and a revolutionary language, urging people to “speak up” and “take a stand.”<sup>14</sup> Ilja Viktorov ascribes the Swedish Employers’ Confederation’s (SAF) resistance against the funds as a way of uniting members during an internal conflict over the merits of collective wage bargaining. Westerberg, on the other hand, points to how employers and business owners considered the funds an existential threat. An uncompromising attitude proved effective for rallying members and getting the Social Democrats to continuously soften the proposal.<sup>15</sup>

Previous research has largely neglected two relevant aspects of the wage-earner funds. The only study on the funds’ economic performance until 1991 does not utilize archival material belonging to the wage-earner funds, nor does it consider all the available official data and claims that the funds, in contrast to the government’s final report, fulfilled or came close to meeting various financial targets.<sup>16</sup> Also, there has been no academic discussion on how and why the funds were dissolved and where their assets ended up. Therefore, this article will answer two questions: First, what explains the wage-earner funds’ financial performance, both as stock market investors and venture capitalists? Second, how did the center-right government of 1991 motivate its decision to transfer the funds’ assets to research institutions and venture capital funds?

Primary sources have been gathered from relevant archives in Sweden. The archives belonging to the five wage-earner funds and Fond 92-94, which was set up to liquidate their assets, are located at the Swedish National Archives and have not been used for academic research before. As these funds were classified as government agencies, the archives are well structured and quite extensive. I have primarily used board minutes, annual records, and reports to understand how the funds worked in practice. In addition, I have used material on the wage-earner funds available at the National Library and records belonging to the Swedish Employers’ Confederation deposited at the Centre for Business History in Stockholm. I also use newspaper articles, personal accounts, and biographies, as well as official material such as government reports and bills.

The rest of the article is structured as follows: The next section describes the wage-earner funds proposal from 1975 until implementation in 1983, and the reaction of the increasingly

11. Elster, “Possibility of Rational Politics.”

12. Olsen, *Struggle for Economic Democracy*, 14; Meidner, “Why Did the Swedish Model Fail?” 225; Whyman, “Analysis of Wage-Earner Funds in Sweden,” 433, 439; Pontusson and Kuruvilla, “Swedish Wage-Earner Funds,” 790.

13. Furåker, “Swedish Wage-Earner Funds,” 126; Gilljam, “Svenska folket och löntagarfonderna.”

14. Stråth, *Mellan två fonder*, 223, 239–240; Olsen, *Struggle for Economic Democracy*, 80–81.

15. Viktorov, *Fordismens kris och löntagarfonder*, 300–302 (English summary); Westerberg, “Socialists at the Gate,” ch. 6.

16. Whyman, “Analysis of Wage-Earner Funds in Sweden,” 439. Pontusson and Kuruvilla, “Swedish Wage-Earner Funds” examines the funds’ economic performance until 1989. The same results are also found in Pontusson, *Limits of Social Democracy*.

ideological SAF. The two following sections, on the wage-earner funds' financial results and on their dismantlement in the first half of the 1990s, are primarily based on new archival material. Finally, I summarize and conclude the main findings of the article.

### Wage-Earner Funds Proposals 1975–1983

Ideas regarding profit sharing for workers have a long history, dating back at least to the classical economist John Stuart Mill.<sup>17</sup> In Sweden, the Social Democrats and the Liberals elaborated on various profit sharing schemes from the 1920s onward but without any real success. The 1938 Basic Agreement (Saltsjöbadsavtalet) gave organized labor and organized capital a high degree of autonomy in regulating labor market relations, and from the 1950s, wages were also set centrally between the peak organizations. Thus, during the first postwar decades, profit sharing was considered an issue to be handled by employers and labor leaders, rather than politicians.<sup>18</sup>

Inspired by German liberals, the Swedish sister party made a new push for profit sharing in the early 1970s and managed to get the ruling Social Democrats to appoint a state commission in 1974 tasked with studying the issue. Following the Swedish corporatist tradition, the commission included representatives of the major interests involved, in this case organized labor and organized capital. For both the Trade Union Confederation (LO) and the Social Democratic Party, profit sharing was becoming increasingly interesting as a means for increasing worker codetermination in a decade when the Swedish parliament was already passing laws increasing union rights in management decisions.<sup>19</sup> Overall, the Social Democrats adopted a more radical approach in the 1970s, including demands for socializing the pharmaceutical industry and the financial system. The concentration of power in the business sector was a pressing concern for the party.<sup>20</sup>

LO was also interested in compensating the worker collective for the “excess profits” created by the Rehn-Meidner model. Named after two LO economists, the model had, from the 1950s, aimed at reducing inflation and high wage demands and shifting labor to high-productivity firms. A solidary wage component of the model meant that less productive firms paid the same wage increases as the exporting industry. With an active labor market policy from the state, laid off workers from the sectors of the economy that could not keep up with the wages of the exporting sector were incentivized to move to parts of the country (often urban areas) with a more favorable labor market. SAF had no objections, as this decreased internal competition for manpower in the business sector and provided uniformity in setting wages. In theory, the model implied that by moderating their wage demands, workers in high-productivity firms did not spoil the exporting industries' international cost situation, thus

17. Backhouse, *Penguin History of Economics*, 155.

18. Stråth, *Mellan två fonder*, 146; Åsard, *Kampen om löntagarfonderna*, 16; Söderpalm, *Arbetsgivarna och saltsjöbadspolitiken*, 31–33; Larsson and Andersson-Skog, *Svenska näringslivets historia 1864–2014*, 218–219.

19. Specifically, the Employment Protection Act in 1974 and the Employment Co-Determination in the Workplace Act in 1976.

20. Sjögren, *Den uthålliga kapitalismen*, 136; Pierre, *Partikongresser och regeringspolitik*, 125, 147–148.

contributing to excess profits among Sweden's industrial giants. In practice, however, the scarcity of labor in high-pay sectors created an excessive wage drift locally, which moderated profitability.<sup>21</sup>

The wage-earner funds proposal endorsed by the LO congress in 1976, based on a report by chief economist Rudolf Meidner the previous year, aimed at increasing workers' codetermination, compensating them for wage restraint, and coming to terms with a skewed distribution of wealth. Firms with more than fifty or one hundred employees were to pay 10–20 percent of their profits, in the form of shares, to union-controlled funds. Depending on the extent of the profits, these funds would, over time, gain ownership control of the firms.<sup>22</sup> In the long run, the wage-earner funds would become majority owners in the larger firms, Meidner noticed, and he continued, "When the private capital owners lose their central role as coordinators and planners of Swedish business, there will be a power vacuum."<sup>23</sup> He was well aware of the proposal's radical nature and its Marxist origins. To the trade union magazine *Fackföreningsrörelsen*, he stated:

If we do not tackle ownership, then we must forever put up with revolting injustices when it comes to having power over the production and the people.... We want to deprive the old capital owners of their power, which they exercise by virtue of their ownership. All experience shows that influence and control are not enough. Ownership plays a decisive role. I want to refer to Marx and Wigforss: we cannot change society without also changing ownership.<sup>24</sup>

He was convinced that the means of production would end up in the hands of the workers, not through the state, as Marx had predicted, but through the unions. He wrote that the funds represented a "decisive step from the welfare state based on private ownership to a new form of society"<sup>25</sup> and that

the economic development of industrial society is moving inexorably towards the socialization of the means of production. The Swedish labour movement rejects the principle of socialization through nationalization, for it shuns the crippling grip of bureaucratic state capitalism.... A system of employee funds, with a combination of self-management and of influence not limited to the specific enterprise, while at the same time maintaining the state as holder of general authority, is the model for a third, hitherto untried, democratic socialist way.<sup>26</sup>

21. Meidner, *Spelet om löntagarfonder*, 31–35; Viktorov, *Fordismens kris och löntagarfonder*, 109–110; Westerberg, "Socialists at the Gate," 243–246; Swenson, *Capitalists against Markets*, 128–131, 140.

22. The proposal was influenced by a book written by Meidner and two co-authors the previous year, see Meidner, Hedborg, and Fond, *Löntagarfonder*. For a more detailed description of the various proposals from LO and the Social Democratic Party (in Swedish) between 1975 and 1983, see Viktorov, *Fordismens kris och löntagarfonder*, 95–109.

23. Meidner, Hedborg, and Fond, *Löntagarfonder*, 107.

24. Ekdahl, *Mot en tredje väg*, 258. The original quote is from *Fackföreningsrörelsen* 19/1975. Ernst Wigforss was a leading Social Democratic politician who, in the 1920s, 1930s, and 1940s, became known for his often radical proposals and critique of the market economy. See, for instance, *Nationalencyklopedin*, s.v. "Ernst Wigforss," accessed July 13, 2021, [www.ne.se/uppslagsverk/encyklopedi/lång/ernst-wigforss](http://www.ne.se/uppslagsverk/encyklopedi/lång/ernst-wigforss).

25. Meidner, "Our Concept of the Third Way," 361–362.

26. *Ibid.*, 367.

In 1978, LO and the Social Democrats published a joint report on the wage-earner funds proposal. The compulsory issuing of shares from private companies to union-controlled funds remained, but only firms with more than five hundred employees would be included. However, key individuals within the party, including the party leader Olof Palme, thought that the proposal was far from finished and were reluctant to make the funds an issue in the 1979 election. The party and LO therefore decided to postpone the final decision until 1981 when they both had congresses. By then, the state commission should also have reached a conclusion.<sup>27</sup> Industrial democracy was important to Palme, but the radical nature of Meidner's proposal and its infringement on private property complicated things. To make it less challenging for the business sector, both he and Kjell-Olof Feldt, the party's leading economist, from 1978 onward stressed how the funds' capital accumulation would increase domestic savings and thus benefit Swedish business.<sup>28</sup>

In the second half of the 1970s, Sweden faced the most severe structural economic crisis of all OECD countries.<sup>29</sup> Large parts of the traditional industrial backbone, especially mining, steel, shipyards, and textiles, were particularly hit as exports plummeted following increased global competition, inflation, and rising wages. Between 1974 and 1976, nominal wages increased by 40 percent. As the economic situation worsened, the center-right government, which had replaced the Social Democrats in 1976, intensified the previous government's policy of subsidizing or taking over collapsing industries while maintaining a Keynesian full employment strategy with underbalanced budgets.<sup>30</sup> The new government did not dissolve the state commission studying the wage-earner funds issue as the Liberals, backed by the Centre Party, wanted to honor the agreement made with the Social Democrats a few years earlier. By 1981, however, the state commission dissolved without coming to an agreement. The Liberal Party had, over the years, become less keen on compromising with the Social Democrats, and the industry representatives no longer wished to participate in any discussions on how to implement wage-earner funds.<sup>31</sup> However, even if the wage-earner funds issue had reached a dead end in the state commission, it was still discussed in the labor movement. In 1981, the Social Democratic Party and LO united behind a common proposal worked out by a small group led by Kjell-Olof Feldt, who became minister of finance the following year. In his view, the original Meidner proposal had been too radical and a liability in the national elections. In his memoirs, he argues that LO and the party had different approaches to the funds.

Although Feldt believed in counteracting an increasingly large private wealth concentration, a business community owned by the wage earners was unrealistic. Several revisions, backed by party leader Olof Palme, were made in the 1981 proposal, compared to earlier versions.<sup>32</sup> Most importantly, the core idea of shares being issued from firms to the funds was abandoned in favor of letting the funds buy shares at market prices. Second in importance,

27. Åsard, *Kampen om löntagarfonderna*, 47–53; Stråth, *Mellan två fonder*, 180.

28. Östberg, *När vinden vände*, 247–249; Viktorov, *Fordismens kris och löntagarfonder*, 157, 178, 200–201.

29. Magnusson, *Håller den svenska modellen?*, 17; Ryner, *Capitalist Restructuring*, 131.

30. Sandberg, "Del IV 1965–1985," 513, 609; Ryner, *Capitalist Restructuring*, 132.

31. Westerberg, "Socialists at the Gate," 248, 257–258.

32. Feldt, *Alla dessa dagar*, 13–14, 26–30, 152–157; Viktorov, *Fordismens kris och löntagarfonder*, 196.

it linked the funds to the supplementary pension system (*ATP-systemet*) that had come under financial pressure in the wake of the economic crisis. The funds would receive their financing from an increase in the employer's pension contribution (*ATP-avgiften*) and from a new tax on profits. Third, the proposal included all firms, regardless of size.<sup>33</sup> Buying shares on the market just like any other investor was obviously way less radical than a direct transfer of shares from firms to funds. However, for the delegates at the 1981 Social Democratic Party congress, it was still a historic moment. When the decision was taken, they rose and sang the "Internationale."<sup>34</sup>

In 1982, the Social Democrats returned to power, and by Christmas the next year, a bill was presented before parliament. It stressed that Sweden was now moving out of the economic crisis and that profits were rising thanks to the new government's 16 percent devaluation of the Swedish krona. However, rising profits also entailed a greater concentration of wealth and economic power. By means of wage-earner funds, this wealth creation would be shared by many, not just the few. With this new collective profit sharing scheme, the wage earners would also be less inclined to make inflationary wage demands.

Capital would come from a raised pension fee of 0.2 percent levied on all employees, as well as a 20 percent profit sharing tax on profits exceeding SEK 500,000, deductible against the ordinary corporate tax. The funds were to be run by five regionally based boards (*löntagarfundsstyrelser*) as part of the preexisting public pension system. Each fund would transfer 3 percent of their yearly real returns to the public pension funds,<sup>35</sup> which were only allowed to invest in fixed-income securities. In addition to buying stock, the wage-earner funds could act as venture capitalists by providing equity to unlisted firms. Investments were only allowed to be made in Sweden as the idea was to "improve the supply of venture capital to benefit Swedish production and employment."<sup>36</sup>

Board members were appointed by the government with seven out of nine seats earmarked for union representatives. In companies in which the funds owned stocks, 50 percent of the voting rights could be transferred to the local union. However, even if the union connection remained strong, it was also clear that the government had listened to its critics. To prevent the funds from growing to be sufficiently large to assume "management responsibility" (*företagaransvar*), they would only receive financing until 1990 (SEK 400 million per year and fund) and not be allowed to own more than 8 percent of the votes in companies listed on the stock exchange.<sup>37</sup> In practice, what the government proposed was tax-financed and union-controlled pension funds.

33. Viktorov, *Fordismens kris och löntagarfonder*, 103–104. For the proposal in its entirety, see *Arbetarrörelsen och löntagarfonderna*.

34. Feldt, *Alla dessa dagar*, 152.

35. Public pension fund 1–3, in Swedish *AP-fond* 1–3.

36. Regeringens proposition 1983/84:50, quote on p. 25.

37. Regeringens proposition 1983/84:50. Apparently, it was Olof Palme's idea to cap ownership at 8 percent, see Viktorov, *Fordismens kris och löntagarfonder*, 199–200. Löntagarfundsstyrelsernas sammansättning, F11 L:4, SAF, SAF's archive, CfN. The bill stipulated that *at least* five board members were to be union activists. In practice, all five funds had seven union activists on their boards.

## The Ideologizing of Swedish Organized Business and the Resistance against Wage-Earner Funds

According to Olof Palme, the efforts of organized business to turn the public against wage-earner funds was the “most comprehensive political scaremongering campaign our country has ever seen.”<sup>38</sup> The campaign started in 1978 and intensified in 1982 and 1983 when the Social Democrats returned to power. For the business community, resistance against the wage-earner funds became a uniting issue and went hand in hand with an increasing ideologization of the Swedish Employers’ Confederation. Inspired by neoliberal economists and policy makers abroad and worried about both the radicalization of domestic politics and the deteriorating economic situation during the 1970s, SAF was transitioning from being a corporatist expert organization to being more of an opinion maker, arguing for limits to public sector growth and increased efficiency through deregulations.<sup>39</sup> In 1978, its information director Sture Eskilsson launched the publishing house Timbro. It was modeled on the Institute for Economic Affairs (IEA) in the UK, and through these connections Eskilsson and his colleagues were linked to the Mont Pelerin Society, founded in 1947 by Austrian economist Friedrich Hayek to promote classical liberalism. SAF and its affiliates thus became part of an international network of business-backed think tanks, referred to by historian Ben Jackson as “the think tank archipelago.”<sup>40</sup>

It seems highly likely that the campaign contributed to making the public adopt a more negative view toward the notion of wage-earner funds. Between September 1981 and August 1982, the portion of people opposing the proposal rose from 38 to 57 percent, while those in favor decreased from 27 to 15 percent. However, when voters ranked their most important issues before the 1982 election, employment and the Swedish economy were at the top, while wage-earner funds ended up in sixth place. The issue was clearly not sufficiently important to prevent the Social Democrats from returning to power after six years in opposition.<sup>41</sup> SAF, however, had found a unifying issue. On October 4, 1983, the day parliament opened, the employers staged one of the biggest demonstrations in Swedish history, with between seventy-five thousand and one hundred thousand participants marching against the wage-earner funds.<sup>42</sup> Protest marches or other activities aimed at highlighting the fund issue continued on October 4 every year until the funds were abolished in 1991, but the organizers had a difficult time retaining this high level of engagement.<sup>43</sup> For example, the voters only ranked the wage-earner funds as the sixteenth most important issue in the 1985 election, which was also won by the Social Democrats.<sup>44</sup>

38. Stråth, *Mellan två fonder*, 200.

39. SAFs roll i samhällsdebatten, promemoria, May 18, 1981. F7:1, Näringslivets Fond, Timbros arkiv, CfN.

40. Jackson, “Think-Tank Archipelago.” For more on the ideologization of SAF, see Westerberg, “Socialists at the Gates,” ch. 5.

41. Näringslivet och fondfrågan – en utvärdering, October 20, 1982. F11 B:1, SAF, SAF’s archive, CfN.

42. Intervju med Gunnar Randholm, November 4, 1983. Tentamensuppgift, F11:B3, SAF, SAF’s archive, CfN; *Dagens Nyheter*, “75,000 marscherade mot fonderna,” October 4, 1983, 1.

43. Letter from Charlie Brantingson, October 4, 1984. F11 O:14, SAF, SAF’s archive, CfN.

44. Sifo Indikator 1985:4, F11 A:4, SAF, SAF’s archive, CfN.

Even with the wage-earner funds in place, SAF claimed a larger ideological win. According to Sture Eskilsson, the political tide was by the mid-1980s turning in favor of lower taxes, public sector cuts, and market-based reforms. SAF's opinion molding activities were starting to pay off. He noticed that even if the Social Democratic Party criticized neoliberal policies, market economic thinking made inroads in the party. Municipalities run by Social Democrats were outsourcing tasks to private companies without much of an internal party debate. The financial sector was deregulated.<sup>45</sup> According to Eskilsson, Swedish market economy proponents were not alone but were part of an international "current of ideas" inspired by Chicago economist Milton Friedman, highlighting individualism and limited state intervention.<sup>46</sup> Indeed, efforts by Swedish business interests to replace Keynesian economic policy and leftist sentiments reflected similar developments, especially in the United States and UK with the revitalization of existing interest groups, increased lobbying, PR campaigns, and funding of think tanks.<sup>47</sup>

### The Wage-Earner Funds as Investors

Five regional wage-earner funds were established in 1984: one in the south (Sydfonden), one in the west (Fond Väst), two in the middle (Trefond Invest, Mellanfonden), and one in the north (Nordfonden). Seven out of nine board members were recruited through local unions to ensure a geographic connection. For each board of the five wage-earner funds, four members came from blue-collar unions, whereas three came from white-collar unions. They were people of both sexes with ordinary jobs such as factory employees, assistant nurses, shop managers, or engineers. They all held, or had held, positions within the unions. A few were on the regional boards of banks as union representatives, but no one had any prior experience in professional asset management or venture capital investments.<sup>48</sup> This did not mean, however, that the funds lacked any type of expertise regarding investment management. The remaining two board seats were often filled by local business executives, and the funds' CEOs had backgrounds in banks or financing companies. Financial advice could also be acquired through established stockbrokers, as in the case of Fond Väst, and three of the funds also hired their own specialists for their venture capital investments.<sup>49</sup> In general, the CEOs had a quite

45. Styrelseprotokoll November 14–15, 1985. A3A:85, SAF, SAF's archive, CfN. For more on the Swedish deregulation in the 1980s and 1990s, see Karlson, *Statecraft and Liberal Reform*, esp. 76–79.

46. Styrelseprotokoll 1978-08-12, A1:1, Näringslivets Fond, Timbros arkiv, CfN.

47. Wuokko, "Business in the Battle of Ideas, 1945–1991," 281, 284–287. For the United States, see e.g., Smith, "Public Opinion"; Vogel, *Fluctuating Fortunes*; Phillips-Fein, *Invisible Hands*; Waterhouse, *Lobbying America*. For the UK, see Cockett, *Thinking the Unthinkable*; Davies, "Think-Tanks"; Jackson, "Think-Tank Archipelago." For Denmark and Norway, see Olsen, "Second Hand Dealer," and Innset, *Markeds vendingen* (in Norwegian).

48. Löntagarrepresententerna i löntagarfondernas styrelser, Ö1:1, Fond 92-94, SNA. Villy Bergström, who was the head of the union-based economic think tank, Fackföreningsrörelsens institut för ekonomisk forskning, was on the board of Mellansvenska löntagarfonden from 1986, see Årsredovisning 1986, B1:2, Mellansvenska löntagarfonden, SNA.

49. Styrelseprotokoll, June 1, 1988. A1:3, Fond Väst, SNA. Fond Väst, Sydfonden, and Nordfonden had their own venture capital experts.

significant mandate to make changes to the portfolio if these followed the board's investment strategies. Unlisted investments were to be approved by the boards.<sup>50</sup>

The chairmen were experienced bureaucrats with close ties to the labor movement. For example, the chairmen of Sydfonden (Nils Hörjel) and Nordfonden (Bertil Löfberg) were both county governors with long careers in the government offices, whereas Trefond Invest's chairman (Tony Hagström) was director-general of Swedish Telecom, the state monopoly for telecommunications.<sup>51</sup>

### *Investments*

According to the regulation governing the funds, they were to make long-term investments and avoid speculation, even though shorter shareholdings were permitted in special circumstances.<sup>52</sup> Basically, two types of investments were permitted: publicly traded shares or shares in non-traded smaller or medium-sized firms in need of venture capital. They were not allowed to trade in derivatives, such as options, which were introduced in Sweden in the 1980s.<sup>53</sup> One way to evaluate the funds' commitment to long-term investments is to look at the rate of turnover for shares (*omsättnings hastighet*) in relation to the stock market. The turnover rate measures, in percentages, how much of the portfolio's total assets were sold during a specific year. Table 1 shows that on average, the turnover rate was slightly higher than the stock exchange in 1988 and 1989 but lower in 1990 and 1991. However, the outlier is Trefond Invest, with a substantially higher turnover in all years except for 1990. In general, the wage-earner funds had a lower turnover rate than the Stockholm Stock Exchange.

By the end of 1991, the funds' net worth was SEK 20.1 billion. Seventy-five percent was invested in public stock (mainly in the largest, most traded companies), around 4 percent in unlisted firms, and the rest in liquid assets.<sup>54</sup> Together, they owned public stock worth SEK 14.4 billion. With 2.6 percent of the stock exchange's total value, this made them the eighth largest owner.<sup>55</sup> Table 2 shows ownership in different stock categories in December 1991 in relation to the Stockholm Stock Exchange as a whole. There are no huge discrepancies, but the funds had invested more in the traditional backbone of Swedish industry, namely engineering and forestry, and less in chemistry and the category "other."

Rudolf Meidner himself concluded that, based on how the funds were implemented, they did not differ from regular investment companies in any significant way, whereas the CEO of Trefond Invest stated in 1989 that his fund had "more or less come to resemble the traditional investment company ... a large market actor among others."<sup>56</sup>

50. See, for instance, Styrelseprotokoll, September 27, 1989. A1:2, Sydfonden, SNA.

51. For biographical information on these men, see the encyclopedia *Vem är det?*

52. Regeringens proposition 1983/84:50, esp. p. 25–26.

53. Starting in August 1991, the funds were permitted to trade in derivatives, but this did not have any real impact, Regeringens skrivelse 1992/93:18, 268.

54. Regeringens skrivelse 1992/93:18, 262, 320. Note that the government's two expert authorities, Riksrevisionsverket and Riksförsäkringsverket, in several calculations include the public pension funds 4 and 5 (*AP-fonder*) and that these should be separated from the wage-earner funds to get the correct values.

55. Sundin and Sundqvist, *Ågarna och makten i Sveriges börsföretag. 1992*, 9–10.

56. Meidner, *Spelet om löntagarfonder*, 87; Årsredovisning 1989 Trefond Invest, Vardagstryck Qa Löntagarfonder, National Library.

Table 1. Turnover rate for wage-earner funds and the Stockholm stock exchange 1988–1991, percent in relation to total assets

|      | Sydfonden | Fond Väst | Trefond Inv. | Mellansv. | Nordfonden | All WEF | Stockholm Stock Exch. |
|------|-----------|-----------|--------------|-----------|------------|---------|-----------------------|
| 1988 | 22        | 16        | 34           | 18        | 18         | 22      | 19                    |
| 1989 | 12        | 14        | 31           | 13        | 13         | 17      | 15                    |
| 1990 | 5         | 14        | 15           | 8         | 8          | 10      | 18                    |
| 1991 | 13        | 13        | 28           | 11        | 11         | 15      | 23                    |

Source: Regeringens skrivelse 1992/93:18, 324. Data from the National Insurance Board (Riksförsäkringsverket, RFV). RFV does not state why the series start in 1988. The Swedish National Audit Office (Riksrevisionsverket, RRV) has incomplete data from 1985 (p. 274). RFVs and RRVs series for 1988–1991 differ somewhat but show the same general trend, that Trefond was an outlier and that the turnover rate was slightly higher in 1988 and 1989 but lower the two following years.

Table 2. Shareholdings of wage-earner funds (market values) December 31, 1991, divided by type of business as share of total holdings

|                                       | Sydfonden | Fond Väst | Trefond Inv | Mellansv. | Nordfonden | All WEF | Stockholm Stock Exch. |
|---------------------------------------|-----------|-----------|-------------|-----------|------------|---------|-----------------------|
| Engineering                           | 32        | 41        | 42          | 25        | 34         | 35      | 28                    |
| Chemistry                             | 23        | 11        | 3           | 3         | 12         | 10      | 16                    |
| Forestry                              | 15        | 14        | 6           | 14        | 21         | 14      | 8                     |
| Construction and Real Estate          | 4         | 6         | 5           | 8         | 11         | 7       | 7                     |
| Trade                                 | 0         | 1         | 1           | 2         | 3          | 1       | 1                     |
| Development                           | 0         | 1         | 7           | 2         | 0          | 2       | 1                     |
| Administration ( <i>förvaltning</i> ) | 10        | 2         | 12          | 29        | 1          | 11      | 12                    |
| Banking                               | 4         | 7         | 15          | 3         | 9          | 8       | 7                     |
| Shipping                              | 0         | 0         | 0           | 6         | 0          | 1       | 1                     |
| Other                                 | 12        | 18        | 10          | 8         | 10         | 12      | 19                    |

Source: Regeringens skrivelse 1992/93:18, 323.

Where they did differ was in the transfer of voting rights to the local union in which the wage-earner funds had invested. However, as no fund could own more than 8 percent of the votes, and they were only allowed to transfer half, this did not give unions any substantial influence.<sup>57</sup> Theoretically, if the funds had pooled their resources, they could have taken control over large firms, but this never happened. Sydfonden's chairman wrote in the last annual report that voting rights, to a certain extent, strengthened the local unions and perhaps led to increased knowledge of the stock market among union members.<sup>58</sup>

What about the wage-earner funds' overall economic performance? According to the government's final report, based in turn on two reports from its expert authorities, the Swedish National Audit Office (Riksrevisionsverket, RRV) and the National Insurance Board (Riksförsäkringsverket, RFV), they underperformed somewhat as asset managers.<sup>59</sup> RRV

57. A compilation of votes transferred to unions can be found in Regeringens skrivelse 1992/93:18, 339. See also George, *Economic Democracy*, 179–181; Elghorn and Öberg, "Löntagare med nytt uppdrag," 111–113. The 8 percent rule was lowered to 6 percent in 1989, see *Förvaltningspolicy* 1989, B1:1 Trefond Invest, SNA.

58. Årsredovisning 1991, Sydfonden, Vardagstryck QA Löntagarfonder, National Library.

59. Regeringens skrivelse 1992/93:18, 5–6. Riksrevisionsverket's (RRV) report is Appendix 10 and Riksförsäkringsverket's (RFV) is Appendix 11. Economist Philip Whyman, at the University of Central Lancashire in the UK, argues that RRV's calculations are incorrect and that the funds on average performed better than private

stated that the funds had, on average, performed 5 percent below the most comparable index during their years of operations and that the total assets would have been 20 percent higher had the funds instead invested in bonds in the same manner as the state-run pension funds (AP-fond 1–3).<sup>60</sup> According to RFV, the funds had underperformed by 1.5 percent compared to a hypothetical stock index portfolio. They also failed to reach their target of transferring 3 percent of their real returns to the rest of the pension system, with a deficit of SEK 2.3 billion. However, RFV also stated that this negative result was due to the decline in stock prices during 1990 and 1991. The wage-earner funds had surpluses of SEK 7.7 billion by the end of 1989. Even if the funds had followed the stock market exactly, they would still have failed to reach their target for the period 1984–1991.<sup>61</sup>

Management policy varied between the funds, but they generally did not seek board representation for stock market investments. According to Trefond Invest's CEO, Michael Berman, it would have been "politically impossible" to appoint someone from the fund for a board position. However, in 1990, Trefond was a big investor in H&M and wanted to appoint an external candidate, but the majority owner, Stefan Persson, refused.<sup>62</sup> The same thing happened in the engineering firm Garphyttan, where Mellansvenska löntagarfonden wanted a board seat, which was denied by the majority owner, the Wallenberg-controlled investment company Incentive. When the same wage-earner fund wanted to buy shares in steel producer Avesta, which went public in 1987, the owner Antonia Ax:son Johnson made sure that they were not allowed to do so, according to a board member of Mellansvenska löntagarfonden. Ax:son Johnson was a leading person in the 4 October Committee.<sup>63</sup>

In smaller unlisted firms, where ownership could exceed 8 percent, four out of five funds did take board positions.<sup>64</sup> All funds stressed that they had an important role to play as venture capitalists. Nordfonden was "a business partner wanting to support growing companies," whereas Sydfonden, in a marketing brochure, stated that

[we] are willing to serve as a constructive conversational partner and a solid collaborator. Having Sydfonden as a co-financier means security for the entrepreneur and employees as Sydfonden can offer a long-term and stable engagement—important not only for the economy but also for a good working environment. If, after a few years, the entrepreneur notices that he does well and can financially stand on his own legs, then we will withdraw if the entrepreneur and the employees so wish.<sup>65</sup>

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sector investment agencies. However, Whyman does not mention that the government's final report (skrivelse 1992/93:18) is based on two reports from two different agencies. For example, Whyman mentions the index comparison by RFV but not the one by RRV (wage-earner funds 1.5 percent below index compared to 5 percent below). See "Analysis of Wage-Earner Funds in Sweden," 425–427; or "Case for the Swedish Wage-Earner Funds," 241. For an SAF-sponsored report on the economic performance of the funds, see Widén, *Löntagarfonderna granskade*. Note that Riksförsäkringsverket is now called the Swedish Social Insurance Agency.

60. Regeringens skrivelse 1992/93:18, 6, 257–262.

61. Regeringens skrivelse 1992/93:18, 5, 254, 330, 337.

62. Bilaga till protokoll 1990-05-15, A1:1, Trefond Invest, SNA. See also Årsredovisning 1991, B1:3.

63. Elghorn and Öberg, "Löntagare med nytt uppdrag," 116; Hägg, "I en fonddirektörs huvud," 123.

64. Pontusson, *Limits of Social Democracy*, 215.

65. Nordfonden (informationsskrift 1989) and Vad kan Sydfonden göra för dig?, Vardagstryck Qa Löntagarfonder, National Library.

Table 3. Investments in unlisted firms made by wage-earner funds, 1991. Millions of SEK.

| Sydfonden | Fond Väst | Trefond Inv | Mellansv. | Nordfonden | All WEF |
|-----------|-----------|-------------|-----------|------------|---------|
| 103.9     | 210.4     | 31.4        | 239.2     | 192.3      | 777.2   |

Source: Regeringens skrivelse 1992/93:18, 324.

Although the funds' boards spent a lot of time and effort on evaluating potential objects for investment, in monetary terms they remained a small part of the portfolios, as seen in Table 3. By 1991, unlisted investments amounted to SEK 777 million while total assets were around SEK 20 billion.

All funds experienced difficulties in their role as venture capitalists. In 1986, Mellansvenska löntagarfonden concluded that it was difficult to estimate which projects would be successful. Even the ones that did turn out successful ran into problems, and the workload for the investor was greater than expected. Also, competition in the venture capital market was growing, and the wage-earner funds were not the ones being offered the best projects.<sup>66</sup> Two years later, the fund stated that from now on, it would only invest in established firms with at least SEK 10 million in turnover. Nordfonden's chairman wrote in 1988 that it was hard to find smaller businesses in the northern part of Sweden to invest in. He pointed to the ample supply of liquid assets within the banking sector and the previous spiteful political debate about the funds as possible explanations. Trefond Invest's CEO, Bo Dahlgren, concluded in 1987 that it was impossible for his Stockholm-based fund to evaluate the large number of proposals he received from small businesses. His solution was to create a separate venture capital firm called Collator that would collaborate with Pronator, a private financial services firm. However, Pronator withdrew from the deal after intensive critique from the lobby association for small business, Företagarförbundet, and as seen in Table 3, Trefond never really got started with its regional investment.<sup>67</sup> Företagarförbundet regularly published a brochure called *Aktuellt om Löntagarna*, which was sent to opinion makers, in which the organization wrote critically of the wage-earner funds' investments.<sup>68</sup> Sydfonden concluded in its last annual report that there had been many "opportunists" (*lycksökare*) among the small businesses in need of capital but that the fund had gotten better at making unlisted investments over the years. Of the ventured SEK 170 million, SEK 104 million remained, which, according to the chairperson, was in line with similar institutions. The Swedish government never evaluated the funds' performance regarding investments in unlisted firms, but as I show in the next section, few of them could be sold with a profit when the wage-earner funds were dissolved in the early 1990s.

#### *Relationship to the Business Community*

The criticism against the wage-earner funds from the business community at large, and especially representatives of organized business, continued throughout their existence.

66. Årsredovisning 1986, B1:2, Mellansvenska löntagarfonden, SNA.

67. Årsredovisning 1986, B1:1, Trefond Invest, SNA; Bo Östlund, "Pronators konturer klarnar efter köpet," *Svenska Dagbladet*, January 31, 1987; Lennart Moberg, "Inga fler avtal med näringslivet," *Svenska Dagbladet*, February 15, 1987.

68. Vinterman, *I mammons tjänst*, 59–60.

Working for the funds meant to be “frozen out,” according to former Moderate Party secretary Lars Tobisson, something that Nordfonden’s first managing director could testify to, feeling persecuted by critical articles in the press against him as a person and the anonymous hate mail he received.<sup>69</sup> The CEO of Trefond Invest, Bo Dahlgren, and his successor, Michael Berman, had similar media experiences.<sup>70</sup> Sydfonden’s chairperson concluded that the initial turbulence surrounding the wage-earner funds had been far from ideal for hiring competent staff.<sup>71</sup> In line with Trefonden, both Sydfonden and Mellanfonden wanted a closer collaboration with other large investors to share the risk entailed with venture capital investments in small and medium-sized businesses, but they were repeatedly turned down. The sense of being regarded as “untouchables” by the business community and other investment managers never quite disappeared, but it does seem that the wage-earner funds, at least according to their own accounts, became more accepted over the years.<sup>72</sup> Nordfonden’s CEO noticed that, whereas the funds had been hotly debated in the election year 1985, the debate was much less intense in the election three years later.<sup>73</sup> Trefond’s chairperson wrote in 1989 that the 4 October Committee was receiving less media attention and that the wage-earner funds were becoming more accepted by the public.<sup>74</sup> This is in line with findings from an opinion poll commissioned by SAF in 1988, which found that even though entrepreneurs were still very critical of the wage-earner funds, only 14 percent considered them to be “the biggest threat,” compared to 72 percent in 1983.<sup>75</sup>

### Dismantling the Wage-Earner Funds

On October 4, 1991, exactly eight years after the first wage-earner funds rally, the Moderate Party prime minister for the new center-right government, Carl Bildt, addressed parliament: “The wage-earner funds will be phased out. This signals a critical change in how entrepreneurship and ownership are viewed in Sweden.”<sup>76</sup> The new government’s very first bill concerned the dismantlement of the funds.<sup>77</sup> Bildt sent Gunnar Randholm, the leader of the 4 October Committee, a personal letter and a copy of the bill, thanking him for his efforts as “an erroneous idea, founded on a failed ideology, is now put aside.”<sup>78</sup> The Bildt government clearly shared SAF’s view that getting rid of the funds was—and always had been—an ideological matter. In the bill, the government argued that a well-functioning economy rested on private ownership and a decentralized business community and that the key issue with the wage-earner funds had been to “socialize parts of Swedish business,” despite other stated

69. Tobisson, *Löntagarfonder*, 158; Vinterman, *I mammons tjänst*, 59–61.

70. Årsredovisning 1986, B1:1, Trefond Invest, SNA.

71. Årsredovisning 1991 Sydfonden, Vardagstryck Qa Löntagarfonder, National Library.

72. Elghorn and Öberg, “Löntagare med nytt uppdrag,” 110–116. Regeringens skrivelse 1992/93:18, 122.

73. Årsredovisning 1985 and 1989, B1:2-3, Nordfonden, SNA.

74. Årsredovisning 1989, B1:1, Trefond Invest, SNA.

75. Rapport från IMU jan 1988, F11 A:5, SAF, SAF’s archive, CfN.

76. Riksdagens protokoll 1991/92:6.

77. Egardt, “Reformregeringen och ‘Ny start för Sverige,’” 100–101; Regeringens proposition 1991/92:36.

78. Letter from Carl Bildt to Gunnar Randholm, October 25, 1991. F11 K:4, SAF, SAF’s archive, CfN.

motivations.<sup>79</sup> Assets from the dismantled wage-earner funds were transferred to a new “liquidation fund” (*avvecklingsfond*) called Fond 92-94. The aim was to sell all assets by July 1994, a couple of months before the next election. RRV, the government’s auditing body, later concluded that the restructuring of the portfolio had been too fast and led to a loss of SEK 3 billion.<sup>80</sup>

In the early 1990s, Sweden went through a severe economic crisis following an asset price bubble in real estate. Businesses had a hard time accessing capital, and the new government decided, after long internal deliberations, that the wage-earner funds’ roughly SEK 20 billion would be divided between research and venture capital to strengthen the conditions for Swedish business. Dispersing the assets also meant that a future Social Democratic government could not reinstate the funds.<sup>81</sup>

Fond 92-94 moved into Mellansvenska löntagarfonden’s offices in central Stockholm. Its five-person board was elected by the government and headed by Stig Ramel, who had a long career as a civil servant, in business, and as a retired managing director of the Nobel Foundation. Hans Mertzig, deputy managing director of asset management firm Carnegie, became managing director.<sup>82</sup> He now had 108 listed firms and 52 unlisted firms in the new portfolio.

In November 1992, Fond 92-94 paid out SEK 6.5 billion to two venture capital funds created by the government called Atle and Bure. The firms having paid the most taxes to the wage-earner funds became major owners, next to the government, which, however, continued to sell off its shares during the 1990s. In turn, Atle and Bure each controlled three regional funds supplying small and medium-sized firms with capital. The roughly sixteen thousand smaller and medium-sized firms having paid the profit sharing tax were given equity in these regional funds. Both Atle and Bure were listed on the Stockholm Stock Exchange in 1993.<sup>83</sup>

Fond 92-94’s unlisted assets had an estimated value of SEK 589 million. By July 1994, these assets had been sold for SEK 310.5 million. Arne Sjöberg, Fond 92-94’s small business expert, wrote that the total loss of SEK 278.5 million was linked to the limited time period for dispersing the fund’s assets and the economic recession but that other reasons were even more important. According to Sjöberg, unlisted minority investments were a new type of business venture in Sweden. Even though some firms had started to specialize in this in the 1980s, the country still lacked the expertise for these types of specialized investments. The young, domestic venture capital business had also shown weak results. Sjöberg pointed to the fact that long-term engagement in small firms was associated with very high risk and that only five of the total fifty-two firms could be regarded as “growth companies”

79. Regeringens proposition 1991/92:36, 14.

80. Regeringens skrivelse, 1993/94:13, 6, 178.

81. Egardt, “Reformregeringen och ‘Ny start för Sverige,’” 100–101.

82. Protokoll 1991-12-20 and Brev till anställda, A1:1, Fond 92-94, SNA. The other board members were lawyer Marianne Lundius Gernandt and business executives Sven Ohlson, Björn Svedberg, and Sten Wikander, in addition to Arne Sjöberg, an expert on small businesses. Ulf Spång, CEO of Ernst & Young, was brought in as an expert on corporate evaluations.

83. Bilaga 1: Slutrapport från Styrelsen, Protokoll, September 14, 1994. A1:2, Fond 92-94, SNA. Petersson, *Bure från staten till kapitalet*, 44–47, 55. In 2001, Atle was bought by the investment company Ratos.

(*tillväxtföretag*). A majority were unprofitable or had profitability issues. In sum, he concluded that the lack of growth potential, high initial values, and the fact that investments had been done through stock rather than loans (which are easier to redeem) were the causes of the large losses. A longer time horizon could also have made it easier to realize potential increases in value.<sup>84</sup>

Around SEK 10 billion was transferred to new and already existing research foundations in January 1994. In addition, SEK 1.7 billion was given to two state-run universities to become private foundations.<sup>85</sup> However, as Sweden started to move out of the crisis, and due to the depreciation of the Swedish krona through a floating exchange rate in 1992, stock prices, including the holdings of Fond 92-94, climbed sharply upward. Later in 1994, another SEK 8 billion could be transferred to the research community. In total, the original assets from the wage-earner funds contributed with SEK 27 billion to research and venture capital.<sup>86</sup>

Bure moved into the empty offices of the wage-earner fund located in Gothenburg, Fond Väst. Over the coming years, it became a key player in the deregulation process of previous public monopolies in the public sector. Health and school education became its largest lines of business with major investments in hospitals and privately run schools (funded by a public voucher system introduced in 1992). By making major investments in another venture capital firm, Nordic Capital, Bure also played an important role in the growth of this industry around the turn of the century. Bure's health unit was hived off in the year 2000 under the name Capio and was then listed on the Stockholm Stock Exchange. Today, Capio is one of Sweden's largest private health-care providers and runs the country's only private emergency hospital. In 2007, Bure acquired private school giant Academedia and sold it three years later to the venture capital firm EQT.<sup>87</sup>

By 1996, there was around SEK 370 million left in Fond 92-94. The Social Democratic government (the party returned to power in 1994) then decided to transform Fond 92-94 into the Sixth AP-fond (Sjätte AP-fonden) that would specialize in investing taxpayers' pensions in smaller and unlisted firms and in start-ups, with the aim of increasing access to venture capital for smaller businesses. To get started properly, an additional SEK 10 billion was transferred to the Sixth AP-fond from the already existing five public pension funds.<sup>88</sup>

84. Bilaga 3: Slutrapport från Styrelsen, Protokoll, September 14, 1994. A1:2, Fond 92-94, SNA.

85. Chalmers University of Technology and Jönköping University became private foundations. The following research foundations were given grants: Stiftelsen för strategisk forskning (SEK 6 billion); Stiftelsen för miljöstrategisk forskning (SEK 2.5 billion); and Riksbankens jubileumsfond (SEK 1.5 billion).

86. The following foundations were given grants: Stiftelsen för kunskaps- och kompetensutveckling (47 percent of total grant); Stiftelsen för forskning inom områden med anknytning till Östersjöregionen och Östeuropa (16 percent); Stiftelsen för vård och allergiforskning (7 percent); Stiftelsen för internationalisering av högre utbildning och forskning (13.7 percent); Stiftelsen framtidens kultur (7 percent); Stiftelsen Innovationscentrum (7 percent); Stiftelsen för internationella institutet för industriell miljöekonomi vid Lunds universitet (3 percent). Slutrapport från Styrelsen, Protokoll, September 14, 1994. A1:2, Fond 92-94, SNA; Sven-Ivan Sundqvist, "Löntagarfondernas saga all. Tioåringen efterlämnar ett börsvärde på 6 miljarder kronor och aktier i 30 börsföretag," *Dagens Nyheter*, July 31, 1994; Eklund, *Stiftelserna ett kvartssekel*. In total, Fond 92-94 handed out SEK 28 billion.

87. Petersson, *Bure från staten till kapitalet*, 15, 22, 106–107, 114. For more on Capio, see *Konkurrensen i Sverige 2018, Rapport 2018:1*, 201.

88. Regeringens proposition 1995/96:171.

## Conclusion

The story of the Swedish wage-earner funds is also the story of a country, and perhaps an entire world, that changed with the market turn of the 1980s. When the Trade Union Confederation presented the proposal in 1975, wages were still negotiated according to the Rehn-Meidner model, and the real increase in employment in the private service sector, at the expense of the industry, had not yet occurred, even though the public sector was growing fast.<sup>89</sup> It was a proposal born in a Fordist world, where most workers were employed by industrial firms and could expect to remain there for life. When the funds were dissolved in 1991, the Swedish labor market was changing into a service-based economy, whereas the 1980s, in which the Social Democrats were in power, had been a decade of increased globalization and the beginning of market deregulations. Specifically, the deregulation of the financial market revoked, at least partly, what had become one of the Social Democratic Party's main arguments for the necessity of wage-earner funds, namely the need for capital. From the mid-1980s, access to both domestic and international financing options increased rapidly.<sup>90</sup> The market turn was a global trend, but in Sweden decision makers introduced market-based reforms at a pace unseen in other countries. The political polarization that followed in the wake of the wage-earner funds increased the ideological divide between organized business and the center-right parties on the one hand and the labor movement on the other hand. For the center-right parties that came to power in 1991, getting rid of the funds was a first, but ideologically very important, step toward a more individualized society based on market economic principles.

What the Social Democratic government implemented in 1984 was tax-financed and union-controlled pension funds with no real ability to take control over the Swedish business community, although it is fair to argue that Rudolf Meidner's original plan had been just that. The original wage-earner funds idea was a radical tool based on a Marxist analysis of society for transferring private ownership to the worker collective, and compensating workers having held back in the centrally negotiated collective agreements. However, the funds never became a real tool for changing society in a more socialist direction as the Social Democratic Party leadership kept watering down the proposal to make it politically feasible.

This article set out to answer two specific questions. First, what explains the wage-earner funds' financial performance? We can conclude that the five wage-earner funds did not reach their goal of transferring 3 percent of their real returns to the rest of the pension system. However, this was due to the sharp decline in Swedish stock prices in 1990 and 1991. Had the funds been dismantled in 1989, they would have reached their target by a wide margin.

The wage-earner funds also failed to beat or be on par with comparable indices, according to the government's auditing bodies. Several factors most likely contributed to this slight underperformance. The funds' boards consisted of a majority of active union

89. Sandberg, "Del IV 1965–1985," 486, 515.

90. Karlson, *Statecraft and Liberal Reform*, 76–79; Lindgren, "Business and Government in Twentieth-Century Sweden," 34.

members with little or no prior knowledge of professional asset management, even though the CEOs had experience from the financial sector. Further, the funds had limited investment options. They should avoid short-term positions (which they generally did), were only permitted to trade in Swedish stocks, and could not use derivatives for hedging. The hostile attitude from the rest of the business community also made it difficult to get access to experienced staff.

The government never evaluated the wage-earner funds' (much smaller) unlisted investments. When Fond 92-94 had sold off these assets by July 1994, the loss was around 50 percent. The fund's own expert concluded that only five out of fifty-two companies had real growth potential and that investments had been made at high initial values in the form of stocks rather than loans. With the center-right government's ambition to sell at a fast pace, it was also impossible to realize potential future increases in value. Additionally, venture capital investment was a new phenomenon in Sweden in the 1980s, and the wage-earner funds were effectively blocked from collaborating with the rest of the business community due to the lobbying efforts of organized business. All in all, the wage-earner funds' unlisted investments can hardly be described as a success even though they did put a lot of effort into finding and evaluating potential objects for investment and, as shown in this article, portraying themselves as financial partners to growing businesses rather than hostile unionists seeking to wrench power from private entrepreneurs.

The second question concerned how the center-right government of 1991 motivated its decision to transfer the funds' assets to research institutions and venture capital funds. The new government reached the same conclusion as the Swedish Employers' Confederation: The wage-earner funds were a badly disguised attempt to socialize Swedish business. Burying what remained of the ambitions to turn Sweden into what trade union economist Rudolf Meidner called "a new form of society" was made a top priority and had to be done before the next election in 1994. Even if the center-right parties lost, it would be very difficult for a Social Democratic government to reinstate the wage-earner funds. This haste received critique from RRV, the state auditing body, which argued that the quick restructuring and selling of the wage-earner funds' portfolios implied losses. On the other hand, because of the sharp increase in stock prices in 1992 and 1993, the combined assets in Fond 92-94 grew substantially, and the government could pay out "extra" dividends to the research community amounting to SEK 8 billion.

The center-right government wanted to compensate the business community for the taxes it had paid to the wage-earner funds and to improve the Swedish business climate, which had taken a turn for the worse after the financial crisis in the early 1990s. Firms were thus given equity in two new venture capital funds that were listed on the stock exchange in 1993. The two new venture capital funds received a total of around SEK 7 billion while a much larger share, around 20 SEK billion (including the extra dividend), was transferred to new and already existing research institutions, and to state-run universities in order to turn them into private foundations. In an ironic twist of fate, albeit fully in line with the larger historic trend of the market turn, one of these (Bure) became a key player as owner and financier for private alternatives in the increasingly deregulated welfare sector.

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