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BRINGING CAPITAL BACK IN, OR SOCIAL DEMOCRACY RECONSIDERED

Employer Power, Cross-Class Alliances, and Centralization of Industrial Relations in Denmark and Sweden

By PETER SWENSON

SOcial democracy in power, according to the prevailing wisdom of over a decade of comparative study, needs unified, encompassing, and centralized labor unions. With labor's "relative power resources" so generated and mobilized in Scandinavia, Social Democrats could come to power in the 1930s and exact favorable terms from capital. According to this line of thought, after years of industrial strife of an intensity rarely experienced elsewhere in the world, the labor movement in Scandinavia gained impressive terrain with redistributive social policy envied by the Left elsewhere. Strikes practically vanished, rendered obsolete by legislation, a superior redistributive device.

This article aims to show that much of the literature on social democracy views power relations between classes more or less in this manner and errs in doing so. It critically examines what might be called the "balance of class power model"—most energetically and influentially developed by Walter Korpi¹—which incorrectly depicts capital in the social democratic political economy as having been politically tamed by strong and militant labor confederations. It also advances another way of looking at the political regulation of class relations, drawing from the history of Danish and Swedish labor politics. This analysis suggests that centralized unions and the Left exercise institutionalized power in advanced

¹ See Walter Korpi and Michael Shalev, "Strikes, Industrial Relations and Class Conflict in Capitalist Societies," *British Journal of Sociology* 30 (June 1979), 164–87; idem, "Strikes, Power, and Politics in the Western Nations, 1900–1976," in Maurice Zeitlin, ed., *Political Power and Social Theory*, vol. 1 (Greenwich, Conn.: JAI Press, 1980); and Korpi, *The Democratic Class Struggle* (London: Routledge and Kegan Paul, 1983). See also distinct critiques of Korpi and related authors in Jonas Pontusson, "Behind and beyond Social Democracy in Sweden," *New Left Review* 143 (January–February 1984); and James Fulcher, "Labour Movement Theory versus Corporatism: Social Democracy in Sweden," *Sociology* 21 (May 1987), 231–52, esp. 237–42.

industrial societies not against or in any way at the expense of employers. In fact, the Danish and Swedish Left secured power in tacit alliance with dominant groups of employers. These employers indeed were not at all unwilling to construct the centralized institutions of industrial relations that are widely agreed to be constitutive features of labor-inclusive politics. This alliance perspective suggests there were winners and losers within labor, as well as divisions among capitalists.²

The “cross-class alliance” model offered here provides one important, if by no means the only, basis for explaining why Social Democratic rule endured for so much of the interwar and postwar periods in Denmark and Sweden. The political domination of Social Democrats, I argue, was stabilized by the absence of intense opposition by capital to policies and programs aggressively opposed by business elsewhere in the world. This quiescence was not a symptom of weakness or dependency. Instead, it was a product of the class-intersecting, cross-class alliance behind institutions of centralized conflict resolution that routinely served mutual interests of sectoral groupings that dominated employer and union confederations. In class-divisive, cross-class alliances these groups mutually reinforced each other’s power to control intramural competitors and opponents. The argument disaggregates classes to focus on conflicts within as well as between capital and labor, and on interests shared across class lines in institutional systems regulating conflicts along both axes.³

With a focus on employers, intraclass conflict, and centralization, the paper also sheds light on a hidden factor behind the cross-class (farmer-labor) parliamentary coalitions of the 1930s. Convention has it that stable governmental domination by the Left in Scandinavia was made possible by strong labor unions in combination with two other circumstances: (1) the advantages enjoyed by large, unified left-wing parties in parliamentary contestation for power with small and divided centrist and right-wing parties friendly to business, and (2) related to that, parliamentary bargains with Agrarian parties, in which labor abandoned its opposition to farm protectionism in exchange for farmers’ acceptance of job programs in urban public works and housing development.⁴ This is as far

² Note that the balance of power literature tends to see social democracy as a provider of positive-sum gains for both capital and labor. A coherent interpretation entails that capital’s gains were imposed, not negotiated. Adam Przeworski’s analyses of “class compromise” suggest a better alternative, as they emphasize the mutual advantages of institutional settlements rationally acted upon by both capital and labor. But he treats classes as unitary actors and therefore neglects intraclass conflict as a condition of cross-class settlements. See Przeworski, *Capitalism and Social Democracy* (Cambridge: Cambridge University Press, 1985).

³ See also Peter Swenson, “Labor and the Limits of the Welfare State: Intra-Class Conflict and Cross-Class Alliances in Sweden and West Germany,” *Comparative Politics* (forthcoming).

⁴ See Francis Castles, *The Social Democratic Image of Society* (London: Routledge and Ke-

as the analysis of the cross-class alliances of the 1930s usually goes, which thus wrongly suggests that the coalitions excluded capital. In fact, for reasons to be discussed later, the alliance between sectors of labor and capital behind the centralization of industrial relations facilitated the formation of the more visible parliamentary farmer-worker alliances of the 1930s. In turn, the farmer-labor coalitions at the parliamentary level helped repair intraclass divisions that had been created by the industrial-level alliance. In other words, capitalists were essential participants—not outsiders—in this complex realignment of political forces.

This analysis of the coalitional foundations of social democracy opens with an account of the role of employers in coercing unions into institutions of centralized industrial relations in Denmark and Sweden. One of the chief instrumental motives of employers was to gain overarching (“peak-level”) control of the intersectoral pay structure, mostly for the benefit of manufacturers of internationally traded metal products and to the disadvantage of high-pay workers in home-market sectors, especially in the building trades. Working in a sector sheltered from international competition, building tradesmen enjoyed advantages in wage bargaining not shared by workers in traded-goods sectors. This fact troubled manufacturers probably even more than it did building contractors. In a manner peculiar to Scandinavian employers, their associations went on the attack, using the sweeping multi-industry sympathy and offensive lockouts to promote peak-level control over, among other things, pay in the construction industry.

The paper highlights the militant role of employers in fostering union centralization, to show how the balance of class power model has systematically misconceived capital as passive or weak. An interpretation of employers’ perceived interests and instrumental actions is integrated into a critical review of conventional explanations of such phenomena in Denmark and Sweden as (1) farmer-labor coalitions that brought the Left to power in Parliament and the bureaucracy from the 1930s onward and (2) the rapid decline in industrial conflict, also beginning in the 1930s. The paper concludes with a discussion of how labor’s power and the cross-class parliamentary alliances of the 1930s should be reconceptualized in conformity with these revisions.

EXPLAINING THE CENTRALIZATION OF LABOR: DENMARK AND SWEDEN

Organized employers wanted and aggressively promoted the centralization of industrial relations in Scandinavia. This idea is rarely entertained

gan Paul, 1978); and Gøsta Esping-Andersen, *Politics against Markets: The Social Democratic Road to Power* (Princeton: Princeton University Press, 1985).

in the literature, possibly because it is at odds with the prevailing and intuitively plausible equation of union unity and centralization with strength against capital. Comparative-historical case analysis of actual institution building in industrial relations, let alone the study of employers as architects and engineers in the joint project, are practically nonexistent.⁵ On the “corporatism” question one typically finds ahistorical macrocomparative studies focusing on economic infrastructure, party politics, and the state—structural features of economics and politics that distinguish the centralizers from the others. Employers as organized agents are usually absent from the analysis and by implication inert.⁶

This criticism pertains primarily to the balance of class power literature, the specific features and problems of which are the focus of detailed analysis below. A different literature with varying Marxist angles on Social Democratic corporatism also ignores businessmen and institution building. The state here is supposed but never demonstrated to be the agency that imposes centralized industrial relations in order to harness labor unions to the capitalist wagon. With or without reference to instrumental state action, this literature seeks unsuccessfully to identify some systemic or functional logic behind the corporatist fusion of state and societal power. In any event the process is co-optative, operating at the expense of labor rather than of capital.⁷

⁵ To explain variations in peak-level centralization, industrial relations expert John Windmuller examines and dismisses six factors; employers were not on the list. See Windmuller, “The Authority of National Trade Union Confederations: A Comparative Analysis,” in David B. Lipsky, ed., *Union Power and Public Policy* (Ithaca, N.Y.: School of Industrial and Labor Relations, Cornell University, 1975). Keith Sisson, in *The Management of Collective Bargaining: An International Comparison* (Oxford: Basil Blackwell, 1987), focuses on employers to explain bargaining centralized at the industrial level but fails to explain peak-level centralization; and H. Clegg, *Trade Unionism under Collective Bargaining: A Theory Based on Comparisons of Six Countries* (Oxford: Basil Blackwell, 1976), offers an early but undeveloped statement on the importance of employers.

⁶ The political economy literature ignores employer organization. Philippe Schmitter uses union organization as a proxy measure of corporatist organization in all other sectors; see Schmitter, “Interest Intermediation and Regime Governability in Contemporary Western Europe and North America,” in Suzanne Berger, ed., *Organizing Interests in Western Europe: Pluralism, Corporatism, and the Transformation of Politics* (Cambridge: Cambridge University Press, 1981), 293. Peter Katzenstein treats the organization of labor and business independently, but he measures intersectoral concentration in peak trade organizations rather than centralization of authority in employer organizations, which are often separate. See Katzenstein, *Small States in World Markets: Industrial Policy in Europe* (Ithaca, N.Y.: Cornell University Press, 1985), 106. Trade, not employer associations, is the main focus of Schmitter and Wolfgang Streeck, eds., *Private Interest Government: Beyond Market and State* (London: Sage, 1985).

⁷ According to Schmitter, Scandinavian style “societal corporatism” (which includes centralization) follows the gradual “decay of pluralism” and meets “certain basic imperatives . . . of capitalism to reproduce the conditions for its existence and continually to accumulate further resources.” See Schmitter, “Still the Century of Corporatism?” in Schmitter and Gerhard Lehbruch, eds., *Trends toward Corporatist Intermediation* (Beverly Hills, Calif.: Sage, 1979), 24. The state promotes corporatism in Leo Panitch, “Trade Unions and the

An employer-centered account of centralization and social democracy in Denmark and Sweden offers an alternative to both the balance of class power perspective on centralization and the more Marxist approaches. It focuses on the interests and instrumental actions of capitalists without endorsing the Marxist view that corporatism means co-optation of labor on behalf or at the behest of capital. In Sweden and Denmark certain factions within the Social Democratic labor movement desired centralization for their own material and power interests, but they lacked the muscle to impose it on reluctant unions without helpful and coercive pressure from employers. In alliance with labor interests, employers forced those reluctant unions to delegate authority upward to confederation leaders, primarily over the initiation and financing of strikes.

THE WEAPON: LOCKOUT

Scandinavian employers used multisectoral “sympathy” and “offensive” lockouts to promote the centralization of union authority and industrial relations. When confronted individually by spontaneous, locally isolated militancy, organized firms would as a rule receive financial and other support during strikes against workers who could not manage for long without pay. In this way employers were partially immunized against uncoordinated action. When, however, a national industry or craft union stepped in with financial help in the classic whipsaw fashion, picking off one employer at a time, strike insurance proved of limited benefit (unless, as was often difficult, sufficiently numerous and skilled scabs could be procured). In response, Scandinavian employer organizations called upon their members to lock out many if not all remaining workers in the industry or craft. The employers generally received partial compensation from their organizations’ conflict funds, while their idled workers in turn would demand lockout compensation from rapidly dwindling union funds. Duty-bound by their constitutions, the union confederations would then step in when called upon for aid, only to find that employers could counter with a multi-industry sympathy lockout of workers even in firms or industries not engaged in the disputes and operating peacefully (and often quite profitably) under valid union contracts. General lockouts of this nature struck confederation leaders at one of their weakest points—their finances. Until the 1940s Scandinavian employers periodically saw the need for such “bloodlettings,” as they called it.

Capitalist State,” *New Left Review* 125 (January–February 1981), 21–43; and Claus Offe, ed., “The Attribution of Public Status to Interest Groups,” in *Disorganized Capitalism: Contemporary Transformations of Work and Politics* (Cambridge: MIT Press, 1985).

Sometimes employers simply skipped the intermediate steps and called sweeping multi-industry lockouts in response to strikes by no more than a handful of workers in a single craft or industry. In 1899, in a decisive move to force the Danish Labor Confederation (DSF) to restrain its member unions, the Danish Employers' Confederation (DAF) called a lockout first against workers in the entire carpentry trade and then in other unrelated industries, including engineering. Strikes by carpenters in seven provincial towns involving only a few hundred workers triggered the draconian response. Because the labor confederation was formally committed to defense of locked-out workers in the other sectors (with lockout support financed by ad hoc assessments of the entire membership), it was inevitably dragged into the conflict. After four months employers achieved a dramatic victory with the so-called September Agreement (Septemberforliget). The conflict practically bankrupted the unions, and because many previously unorganized employers rallied to join, the employers' confederation emerged financially better off than before.⁸

This peak-level agreement spelled out mutual recognition of the right of employers and workers to organize, along with employers' managerial prerogatives against worker control and the closed shop. Also, by requiring two weeks' advance notice of a strike or lockout vote, a three-quarters majority in the vote, and then another week before the conflict could begin, the agreement limited the number and kinds of strikes the labor confederation could be drawn into. Financially in ruins, the confederation quickly revised its constitution in 1900. The change empowered a three-quarters majority of its representative council to require a member union to conclude or prevent a work stoppage "when it has assumed, or threatens to assume, such dimensions that it endangers the peaceful continuance of work in the other trades."⁹ Endangerment of other trades meant, presumably, provoking lockouts, the effect if not the purpose of which was to drag the unwilling confederation into expensive full-scale confrontations.

The years after 1900 saw only minor growth in the formal power of the DSF over its member unions' bargaining practices. It was to remain the least centralized of the Scandinavian labor confederations.¹⁰ In practice, however, collective regulation of pay and working conditions be-

⁸ This discussion on Denmark relies largely on Sophus Agerholm and Anders Vigen, *Arbejdsgiverforeningen gennem 25 Aar: 1896-1921* (The employers' confederation through twenty-five years) (Copenhagen: Dansk Arbejdsgiverforeningen, 1921), 3-142.

⁹ Walter Galenson, *The Danish System of Industrial Relations: A Study in Industrial Peace* (New York: Russel and Russel, 1952), 59.

¹⁰ *Ibid.*, 2-3.

came highly if unstably centralized at the peak level because Danish employers, being the *most* unified and centralized, periodically used multiemployer and multisectoral lockouts to force formally autonomous unions to accept if not seek the central mediation and support of the DSF. The DAF indeed wanted further formal centralization of DSF authority, but it was forced to apply the disciplinary lockout repeatedly until the 1930s. Then Social Democratic governments began applying additional disciplinary force by regulating voting procedures in strike referenda and with compulsory and binding arbitration agreements.

In Sweden centralization of union power got off to a slower start but advanced further. From a position of impressive strength organized employers coerced the most recalcitrant unions to accept centralization. The key formative events occurred in the 1930s and bear interesting similarities to Danish events forty years earlier. Strikes in the high-wage building trades in 1933 were accompanied by threats of a sweeping multi-industry sympathy lockout by the Swedish Employers' Confederation (SAF). The leadership of LO (the Swedish Labor Confederation) quickly intervened, as this was no idle threat. Massive lockouts of similar nature had inflicted devastating financial and membership losses on LO (particularly after it was dragged into supporting a general strike in 1909).¹¹ Also pushing LO to gain control of its member unions, the Social Democratic government threatened statutory intervention. In 1938 at Saltsjöbaden LO and SAF signed a peak-level agreement that in many respects resembled the Danes' September Agreement of 1899. By signing at Saltsjöbaden, LO leaders agreed implicitly that, among other things, they should refuse support to striking unions (and for workers locked out in response) when the unions in question failed to abide by procedural formalities before taking action. Precipitous action and disregard for procedure was characteristic of highly successful militancy, especially in sectors like construction, whose unions opposed the agreement.¹²

In conjunction with negotiation of the 1938 agreement, and to secure the ability to enforce it, LO leaders formally responded to external (and internal) pressures to centralize control much as DSF leaders did after the September Agreement. Organizational reforms passed in 1941 gave LO the authority to veto all strikes involving more than 3 percent of an LO union's members, thereby strengthening their mandate to keep strike

¹¹ Bernt Schiller, *Storstrejken 1909: Förhistoria och orsaker* (The general strike of 1909: Background and causes) (Göteborg: Akademiförlaget, 1967).

¹² There was of course much more to the agreement. See Sven Anders Söderpalm, *Arbetsgivarna och Saltsjöbadspolitiken: En historisk studie i samarbetet på svensk arbetsmarknad* (Employers and the politics of Saltsjöbaden: A historical study of cooperation in the Swedish labor market) (Stockholm: SAF, 1980).

funds under lock and key. They also passed a resolution forcing member unions to incorporate LO's previously recommended standard bylaws (*normalstadgar*), which had been drawn up in 1933, the year of the construction strike. Most important, these banned binding membership referenda on strike and contract matters. (In the construction sector, the vote of the membership had frequently overridden more restrained leaders.) Construction and typographical unions spoke out against the 1941 reform but accepted it; refusal to do so would have meant expulsion and perhaps suicidal isolation in the face of the combined might of employers.¹³

THE MOTIVE: REDISTRIBUTION

Employers' desire and means to corral unions into centralized structures were unmistakable and similar in both Denmark and Sweden. Comparative analysis of the internal politics of the employers' confederations suggests also a shared motive. The fact that strikes in the construction trades precipitated the developments in both countries is already a clue. As early as 1907, when Danish, Swedish, and Norwegian employers met in Copenhagen to discuss Nordic employer cooperation, one of the few substantive resolutions they made regarding wage policies was to "keep earnings in the building trades roughly in line with earnings in other industries."¹⁴ By other industries is meant above all those active in or at least vulnerable to international trade (producers of traded goods)—metalworking in particular. Not subject to international price competition, home-market, or sheltered, employers could more easily pass on the costs of high wages to consumers. Indeed, control of the intersectoral pay structure was a prime motive for encouraging unions to centralize authority across industries, since short of statutory control, centralized peak-level coordination was the only sure way of maintaining control without frequent resort to the lockout. For the lockout had its costs of course—financial ones for employers' organizations, but also in terms of internal solidarity between those who at any particular time might be eager to lock out and those who could make peace and profits (at higher wages) simultaneously.

High and rapidly rising pay in the sheltered building trades often caused difficulties for internationally vulnerable metals employers in se-

¹³ Axel Hadenius, *Facklig organisationsutveckling: En studie av Landsorganisationen i Sverige* (Union organizational development: A study of the confederation of labor in Sweden) (Stockholm: Rabén & Sjögren, 1976), 57–68, 126–30.

¹⁴ Anders Vigen, *De Nordiske Arbejdsgiverforeningers Samarbejde gennem 20 Aar* (The Nordic employer associations' cooperation over twenty years) (Copenhagen: Langkjær, 1927), 33–34.

curing the labor and cooperation of painters, electricians, plumbers, woodworkers, carpenters, and others needed for shipbuilding, electronics, and the manufacture of railroad cars and automobiles. Paying them competitive wages often upset internal pay differentials within those sectors and aroused further militancy within the metalworkers' union. Further, high wages in construction led to higher fixed capital costs, and militancy could disrupt the timely expansion of manufacturing capacity to meet fleeting market opportunities. Building wages translated into higher rents, which in turn generated greater pressure for wage increases outside of the building trades. Relatively low wages and expensive, scarce, and extremely cramped worker housing made it difficult to attract labor during expansion. Militancy spread across sectors to interrupt production and delivery in markets where buyers could easily be lost to international competitors poaching for new market shares. High wages could also mean the loss of domestic markets to imports.¹⁵

Though they were probably to benefit from it in the long run, employers in construction were not the driving force behind centralization of bargaining institutions. In intraorganizational politics they were the clear losers. In fact, employers in metals and engineering exposed to, though not particularly active in, heavy international competition were the most militant of all in pushing for centralization and the terms of the Danes' September Agreement. In the DAF's early years these employers fought an "open war" against Niels Andersen, the leader of the confederation (from the building industry); he was considered too moderate in his dealings with the unions and too willing to submit disputes to arbitration. But after the 1899 lockout and the September Agreement, and a revival of tensions and near repeat of the lockout in 1907, relations between employers in the metals and construction industries were calmed by the DAF's escalating militancy. In 1907 employers in the metals industry (accused by others of having "the lockout disease") achieved better representation in DAF, and by 1911, Andersen's most vocal critic, S. C. Hauberg (from the metals sector), had taken over leadership of the powerful confederation.¹⁶

Similar yet more drawn-out tensions between employers in home-market and internationally exposed industries were present in Sweden. Tensions finally eased in the 1930s, when SAF undertook to clear the con-

¹⁵ See Karl-Olof Faxén, "Några kommentarer till SAFs lönepolitiska uttalanden under 1920-talet," in Eskil Wadensjö, Åke Dahlberg, and Bertil Holmlund, eds., *Vingarnas trygghet: Arbetsmarknad, ekonomi och politik* (The safety of wings: Labor markets, economics, and politics) (Lund: Dialogos, 1989).

¹⁶ Agerholm and Vigen (fn. 8), 26–28, 42, 153, 159–61, 173–90, 283.

struction industry of a jungle of practices that facilitated successful guerilla warfare by building tradesmen. By that decade export-oriented employers had established considerable power in SAF, though not without losing a faction of building contractors that bolted from SAF about 1933. The process began in 1917, when independently organized engineering employers joined SAF, trading in their autonomy for substantial control within the confederation. Not surprisingly, the following year the SAF leadership under Hjalmar von Sydow dropped its old misgivings about absorbing construction employers; it turned to the more encompassing Danish and Norwegian employers' confederations for a model of how to control construction workers.¹⁷ SAF's hopes were dashed when employers in construction settled in 1924 for high increases and, even worse, a system of piece-rate setting that would have severe wage-inflationary consequences in the 1930s.¹⁸ Despite the depression, wages and militancy continued to rise, uncontrolled by unions and employers in the building industry.¹⁹

During the depression employers in traded goods were forced to reduce prices to maintain production, and unions like the metalworkers accommodated them by accepting wage reductions. Their ability to do so was limited by the fact that the metalworkers' militancy could not be contained long if pay differentials across sectors were not reduced and kept under control. The leadership of the metalworkers' union had proved its reliability, having recognized the costs of militancy and strikes in terms of lost jobs and pay resulting from the loss of unrecoverable market shares in intense international competition. It could not maintain long-term restraint, however, if wages in home-market sectors were not somehow indirectly subjected to the same discipline.²⁰

Employers in SAF threatened a sweeping economy-wide lockout in response to strikes in the building trades begun in 1933. The Social Democratic government also threatened intervention. Unions representing members paying high rents and suffering from job and housing shortages naturally had mixed feelings about LO fulfilling its obligations to support construction workers.²¹ As a consequence of pressure from So-

¹⁷ Centrala Arbetsgifvareförbundet, *En Minnesskrift, 1903–1918* (Memorial publication, 1903–1918) (Stockholm: Centrala Arbetsgifvareförbundet, 1919), 35–36.

¹⁸ Carl Hallendorff, *Svenska Arbetsgifvareföreningen* (The Swedish employers' confederation) (Stockholm: SAF, 1927), 158–61.

¹⁹ For reasons, see especially Hartmut Apitzsch, "Byggnadsbranschen: Produktionsförhållanden och organisationsstruktur" (Construction: Production relations and organizational structure), *Arkiv för studier i arbetarrörelsens historia* 2 (1972).

²⁰ For a lengthier discussion and references, see Swenson, *Fair Shares: Unions, Pay, and Politics in Sweden and West Germany* (Ithaca, N.Y.: Cornell University Press, 1989), 42–53.

²¹ Bo Carlson, *Trade Unions in Sweden* (Stockholm: Tiden, 1969), 37.

cial Democrats, Agrarians, and SAF, LO finally prevailed on the construction unions to call off the strikes. The confederation stepped in again with even less hesitation in 1937 with a “brutal public rebuke” of two of its own construction unions that had called strikes.²² For employers interested in maintaining international competitiveness by keeping sheltered wage-setting under control, this was icing on the cake from a labor movement that was already offering itself as an ally against militant syndicalists and communists. Moreover, unions like the metalworkers’ were proving increasingly pliant about rationalization and automation. With enemies like these, who needed friends?

SMALL COLD STATES AND CROSS-CLASS ALLIANCES

For employers in small economies dependent on or vulnerable to international trade, problems with regulating pay across home-market and traded-goods sectors were probably more acute than they were elsewhere. In large countries employers in traded goods had larger home markets and were therefore better insulated from international discipline. They would have been better able to raise prices along with wages to keep up with the construction industry. Their ability to withstand strikes may also have been greater when they resisted following construction wages; that is, using their *national* employer organizations, trade associations, and perhaps connections to centralized banks, they could coordinate punitive action against domestic competitors who poached on market shares made available by strikes. They could also coordinate domestic efforts to choke off supplies to employers making unacceptable agreements with unions; and they could more easily arrange the sharing of workers or facilities from far and wide to fill orders.²³ Internationally competing employers in small countries lacked large home markets, had no punitive devices against foreign competitors who took advantage of them when they were downed by strikes, could not enlist foreign businessmen to boycott employers making unacceptable deals with unions, and for reasons of scale (and no doubt because there were fewer regional and ethnic obstacles to solidarity) had a smaller pool of workers available as scabs.²⁴

²² Klas Åmark, *Facklig makt och fackligt medlemskap: De svenska fackförbundens medlemsutveckling 1890–1940* (Union power and union membership: Swedish unions’ membership development) (Stockholm: Arkiv, 1986), 153.

²³ On the use of some of these practices in the U.S., see Clarence Bonnett, *Employers’ Associations in the United States: A Study of Typical Associations* (New York: Macmillan, 1922), 45, 74–75, 109, 116, 140.

²⁴ Adolf Weber mentions German employers’ problems in coordinating solidarity with foreign manufacturers to limit poaching, help fill orders, blacklist strikers who cross borders, procure scabs, and generate financial help; see Weber, *Der Kampf zwischen Kapital und Ar-*

For internationally competing employers in northern climates, the problems of intersectoral pay deviations, and therefore need for centralized control, were especially acute. Concerned about the problem caused by high differentials, engineering employers in Sweden compiled crude but nevertheless suggestive evidence showing that in 1930 differentials between metals and construction sectors in Scandinavia were substantially greater than they were elsewhere in Europe. One reason for the high differentials probably lay in the long Scandinavian winters, where low temperatures and short daylight hours make construction slow and costly. (See Table 1 for engineering employers' wage data and temperature conditions.) Mixing, placing, and curing concrete and brick or stone mortar at freezing temperatures and after an early nightfall required extra heating, lighting, and shelter.²⁵ To compensate for winters with little or no pay when construction ceased, workers in the trade demanded high wages and had the bargaining power to wrest them from contractors pressured by anxious speculators and manufacturers eager to finish their apartment buildings and industrial plants during the short building season.²⁶

TABLE I
HOURLY EARNINGS FOR MASONS AS A PERCENTAGE OF PAY FOR TURNERS
AND FILERS IN SIX EUROPEAN CITIES (1930)

	<i>Pay Differential</i>	<i>Temperature (F)^a</i> <i>(December–February)</i>
Stockholm	216	23.7
Copenhagen	152	29.7
Amsterdam	109	34
Warsaw	98	23
Rome	95	39.7
Belgrade	63	28

SOURCES: George Styrman, *Verkstadsföreningen 1896–1945* (The engineering association, 1896–1945) (Stockholm: Norstedt, 1946), 228; H. McKinley and Linda L. Liston, *The Weather Handbook* (Atlanta, Ga.: Conway Research, 1974).

^a Average daily minimum, measured over 25–30 years.

beit: Gewerkschaften und Arbeitgeberverbände in Deutschland (The struggle between capital and labor: Unions and employer associations in Germany) (Tübingen: J. C. B. Mohr, 1921), 195–96.

²⁵ According to one estimate, there could be a fivefold increase in labor hours per cubic yard for mixing, placing, and curing concrete over what was required in ordinary weather, due to extra waiting time and use of heaters and protective enclosures. See H. E. Pulver, *Construction Estimates and Costs* (New York: McGraw-Hill, 1947), 137; and also Ralph P. Stoddard, *Brick Structures: How to Build Them* (New York: McGraw-Hill, 1946), 47–50.

²⁶ The relationship between temperature and high differentials in Table 1 does not show

Competing internationally from small northern countries, Danish and Swedish employers thus pushed hard for centralized, intersectoral control, especially over construction wages. The Swedish experience of the 1930s shows that employers had allies behind centralization—those with related interests, such as farmers. Most important to emphasize here are the interests of *unions* outside of the construction sector, in particular, metalworkers. Their leaders supported centralization because of internal membership discontent, when, in the face of militant employers and unemployment, they negotiated wage reductions while construction wages raced ahead. Unions pressed by their membership to level wages within as well as across sectors could not at the same time keep the wages of skilled workers in line with wages in construction without compensatory and divisive reductions of wages for unskilled workers.²⁷

In Denmark another, somewhat different cross-class alliance underlay early centralization. Employers in engineering also wanted to contain construction wages. Again the union of skilled metalworkers was a key supporter of centralization. In this case, however, the most vocal opponents of centralization in the decades after the 1899 confrontation were probably not the construction unions representing skilled craftsmen; they were rather unskilled laborers—including both metalworkers and construction laborers—who unlike their Swedish counterparts were organized separately in their own general union. While the Swedish Metalworkers' Union representing both the skilled and the unskilled pushed successfully for interoccupational leveling, skilled Danish metalworkers supported employers' efforts to maintain differentials. Hence, playing a dominant role in the *DSF* and bitterly opposed by the laborers' union, they supported centralization and implicitly backed the employers' confederation against the militant but weak union of unskilled workers.²⁸

In both countries, then, there was a class-splitting, cross-class alliance between employer and union groups in support of centralization. Employers in both countries pushed for centralization, using lockouts and threats of lockouts to force resistant but isolated and therefore economically vulnerable unions into the arrangement. In Sweden, as the following discussion shows, the Social Democratic Party and the government joined the alliance against construction workers. In Denmark, Social

up for Poland and Yugoslavia, where—to speculate—perhaps less mass production in metalworking, less urban-industrial construction, more repressive treatment of unions, and alternative livelihoods for construction workers in winter months affected relative wages differently.

²⁷ For more on the unions' distributional dilemmas (the "trilemma") and their related attitudes toward bargaining structures, see Swenson (fn. 20).

²⁸ See Galenson (fn. 9).

Democrats intervened more against the unskilled general laborers' union, which was bitterly critical of the party, allied as it was with skilled metalworkers who favored centralization. Construction tradesmen do not figure in the vocal opposition, since employers *alone* had already brought relative pay for skilled building tradesmen under control and since further savings on building wage costs could be squeezed separately out of unskilled laborers.

COMPETING VIEWS ON CENTRALIZATION AND IMPLICATIONS FOR UNDERSTANDING SOCIAL DEMOCRACY

The comparative literature of the last decade reveals considerable consensus about the institutional and coalitional foundations of the social democratic political economy. According to this consensus, a changing balance of power or distribution of power resources between capital and labor as undifferentiated blocs explains changes in institutionalized class relations—to the overall benefit of one and at the expense of the other.

This now-conventional analysis of institutionalized “labor inclusion” can be broken down into two somewhat contradictory historical renditions, which are criticized below. According to the first, politically strong and centralized union confederations emerged after and because Social Democrats achieved power in alliances with farmers that excluded industrial capital. The second view more or less reverses the sequence and holds that centralized unions gave labor the power resources to achieve and maintain parliamentary power at the expense of capital—or at least against the resistance of capital.

In either case, the Left parlayed power resources from one arena into advances in the other. Both versions support the widely held view, also challenged below, that the precipitous decline in industrial conflict in the 1930s can be explained by the achievement of parliamentary power backed by organizational centralization; that is, labor could achieve by legislative means what once required strikes. Drawing on the foregoing case-historical analysis, the following discussions deal with these contentions, showing that each is unfounded and that the causal connections between the related phenomena are better represented by the cross-class alliance model.

RED-GREEN ALLIANCES, CAPITAL EXCLUSION, AND CORPORATISM

According to one version of the power balance model, once Swedish Social Democrats came to power with help from the Agrarian Party in 1932, employers were forced to back off and seek cooperative re-

lations with labor. Simply stated, according to John Stephens, "Swedish 'corporatism' was the result of the labour movement's strength."²⁹ Gregory Luebbert states the argument most explicitly in his comparative-historical explanation of different political realignments and regime changes in interwar Europe. In his view, the majoritarian alliances of Social Democrats and small farmers in Scandinavia and Czechoslovakia "created a stable power base" on which "they could build the corporatist institutions that consolidated their hold on the state and the working class." And the resulting centralized, encompassing unions "offset the otherwise inherent advantages of employers in collective bargaining and in the polity." Luebbert then argues that "from this position of dominance, they could, in turn, induce the collaboration of the business community."³⁰ He suggests that by excluding liberals, labor alliances with farmers excluded corporate capital as one of the "social foundations" of interwar social democracy.³¹

On the surface the Swedish case would seem to support the idea that the Social Democratic victory might have scared employers into centralized arrangements with unions, thus perhaps bestowing upon the labor confederation power never before enjoyed. According to a widely held view, employers in the 1930s dropped demands for state control of labor because conservatives could no longer be counted on to control the legislative process. Friendly compromise now appeared superior to legislation for achieving labor peace.

Certain facts cast doubt on this account. Even *before* the Social Democrats came to power in 1932, dominant employers in SAF feared state intervention—beyond what they happily accomplished in 1928 by installing a labor court with the power to award damages for violations of negotiated procedural and peace agreements. After 1928 ambivalent employers desired additional legal control primarily over strike and boycott tactics of syndicalists and communists. Responding to pressure from the Right, Social Democrats obliged by proposing just such legislation, which they withdrew in 1936 when their Agrarian allies lost interest.

²⁹ John Stephens, *The Transition from Capitalism to Socialism* (London: Macmillan, 1979), 135. To be fair, Stephens's analysis is eclectic: he correctly attributes earlier steps in centralization (pp. 42–45) to lockouts but also to "industrial infrastructure," which is wrong (see pp. 531–35 below).

³⁰ By saying capital was "induced to collaborate" Luebbert indicates incorrectly that capital was dominated, reluctant, and disadvantaged—if not fully "excluded." See Luebbert, "Social Foundations of Political Order in Interwar Europe," *World Politics* 39 (July 1987), 449–78, at 463–64.

³¹ In the same tradition Ronald Rogowski also depicts the social democratic coalition, at least in Sweden, as capital exclusive; see Rogowski, *Commerce and Coalitions* (Princeton: Princeton University Press, 1990).

The Social Democrats, who had made no move to prevent the massive lockout threatened in 1933, included no measures in labor legislation to disarm employers—unlike New Deal Democrats in the U.S.! For these reasons, it hardly makes sense to depict employers' continued moves toward Saltsjöbaden after 1936 as any kind of political retreat extorted by threats of legislation.³²

In the case of Denmark the partisan realignment of the 1930s cannot possibly account for strengthening centralized union power, which occurred much earlier under employer pressure. On the surface, however, at least one aspect of the Danish case might seem to confirm the picture drawn by Luebbert and others of social democracy as a coalition excluding or even hostile to capital. With the Kanslergade Agreement of 1933, the Agrarian Party gave the Danish Social Democrats the majority they needed to block the offensive lockout with which employers planned to impose a 20 percent wage reduction across the economy. As in Sweden, so in Denmark farmers gave Social Democrats the support necessary to stimulate the economy with a job creation program. In exchange, farmers demanded agricultural subsidies and because of the importance of agricultural exports, a 10 percent devaluation of the Danish crown.

Walter Galenson points out that the agreement “was received with bitterness by the employers, who denounced the Agrarian Party for delivering a ‘brutal blow’ to business interests under pressure from its semi-fascist extremist wing.”³³ There are reasons to think however that this protest was in part symbolic (possibly to placate home-market employers). The Kanslergade Agreement did not lay waste the entirety of “business interests,” since for employers vulnerable to foreign competition, a 10 percent devaluation could partially compensate for the disappointment of not achieving the 20 percent wage cut. This would have been true especially for capital-intensive, high-value-added industries using relatively few imported inputs.

At the same time, Danish manufacturers were favored by exchange controls, which gave them privileged access to foreign currency (especially for the purchase of British coal). Due to this pattern of advantages, in combination with quantitative import restrictions introduced in early 1932 and a strategy of import substitution via exchange controls, Danish manufacturing output increased so rapidly that the decade of the Great

³² See, e.g., Sten Andersson, *Mellan Åkarp och Saltsjöbaden 1923–1928* (Between Åkarp and Saltsjöbaden) (Stockholm: Almqvist and Wiksell, 1990).

³³ Galenson (fn. 9), 131–32. Katzenstein (fn. 6) repeats the consensus in saying that the agreement “was directed against the Conservatives and their supporters in the business community” (p. 142).

Depression has been described as the “second wave of Danish industrialization.”³⁴ Students of Latin American import-substitution strategies of the same period will see striking similarities to the Danish politico-economic realignment.

Manufacturers of traded goods in the Danish employers’ confederation also gained from the tradition of government wage intervention initiated by the red-green coalition at Kanslergade. Repeated state intervention guaranteed intersectoral and interoccupational pay regulation substantially in harmony with what employers had already tried to impose with centralized control via the lockout. Soon after Kanslergade the coalition began using the new mechanism of compulsory arbitration against *unions* rather than employers, most notably against laborers but also, in 1939, against typographical workers. It is telling that this high-pay, home-market industry was the same industry whose unions in Sweden joined construction unions in resisting the institutional changes of the 1930s.³⁵

As regards Denmark, therefore, the power of centralized unions was not generated by the red-green alliance and then applied to “induce the collaboration of capital,” as Luebbert suggests. Compulsory arbitration following Kanslergade probably did more to freeze the existing crafts-based division of Danish (as compared with Swedish) unions than to further consolidate and centralize them.³⁶ Industry’s collaboration with the Social Democrats was induced neither by the incentives nor by the threats that union centralization could deliver but rather by favorable legislation and administrative practice conforming to the interests of vulnerable manufacturers. Capital—at least a segment of it—was clearly included as a “social foundation” of Denmark’s interwar regime.

³⁴ Hans Christian Johansen, *The Danish Economy in the Twentieth Century* (London: Croom Helm, 1987), 53–57. See also Erik Rasmussen, *Velfærdstaten på Vej 1913–1939* (The coming of the welfare state 1913–1939) (Copenhagen: Politikens Forlag, 1965), 416–28; and Harry Haue, Jørgen Olsen, Jørn Aarup-Kristensen, *Det ny Danmark, 1890–1978: Udviklingslinier og tendens* (The new Denmark, 1890–1978: Development patterns and tendencies) (Copenhagen: Munksgaard, 1980), 165–74.

³⁵ Galenson (fn. 9), 131.

³⁶ On the Czechoslovakian farmer-labor coalition, Luebbert cites Harry Klepetar, who in reference to the effect on unions only mentions compulsory arbitration and legislative extension of arbitrated settlements to unorganized firms. See Klepetar, *Seit 1918: Eine Geschichte der Tschechoslowakischen Republik* (Since 1918: A history of the Czechoslovakian republic) (Moravska Ostrava: Julius Kittls, 1937), 351, 357. Such intervention elsewhere in Europe weakened unions by making them dependents of the state and increasing employer antagonism. On interwar and postwar Germany, see Gerald Feldman and Irmgard Steinisch, *Industrie und Gewerkschaften 1918–1924: Die überforderte Zentralarbeitsgemeinschaft* (Industry and unions, 1918–1924) (Stuttgart: Deutsche Verlags-Anstalt, 1985); and Karl Anders, *Stein für Stein* [Stone by stone] (Hannover: Verlag für Literatur und Zeitgeschehen, 1969), 264–66. On interwar France, see Walter Kendall, *The Labour Movement in Europe* (London: Allen Lane, 1975), 74.

The encompassing character of the cross-class alliances in Scandinavia can also be seen in the way the distributional aims of centralization shared by union and employer groups alike also facilitated the parliamentary farmer-labor coalitions in the two countries. There was more to the Swedish and Danish farmers' willingness to join Social Democrats in these cross-class coalitions than the newfound sympathy they received for agrarian protection. Farmers also stood to benefit from the wage restraint that the centralized and disciplined unions exercised with the help of fraternal pressure from Social Democrats. Even small farmers typical of Scandinavia relied on laborers, sometimes only a few and only seasonally, but no less critically during peak harvest, haymaking, and planting and slaughter times. High pay in construction and resulting pay increases elsewhere tended to make farm workers increasingly expensive and prone to join the urban labor force at the worst possible moments.

For the leadership of the Agrarian Party in Sweden the most difficult thing to accept about the Social Democratic crisis plan in 1933 was its insistence that public housing projects pay the standard union rates, which threatened to jump too far ahead of farm wages. With their hopes staked on publicly financed housing construction as the solution to unemployment, LO and Social Democrats applied direct pressure to construction unions to accept defeat after their ten-month-long strike. Only then would the Agrarian Party agree to release government funds for the housing program.³⁷ Another intervention in 1937 and the Saltsjöbaden Agreement in 1938 reconfirmed for the Agrarians the reliability of LO and the Social Democrats.³⁸

Danish dairy and meat farmers, who were very active in international trade, were also brought into the cross-class alliance of the 1930s on the same terms that appealed to manufacturers of traded goods—devaluation and control of the interindustry and interoccupational pay structure. The Agrarians' trust in the Social Democrats as coalition partners could only have been enhanced by the fact that they supported the centralization following the September Agreement of 1899 and the taming of

³⁷ See Olle Nyman, *Svensk parlamentarism 1932–1936: Från minoritetsparlamentarism till majoritetskoalition* (Swedish parliamentary government, 1932–1936: From minority government to majority coalition) (Uppsala: Almqvist and Wiksell, 1947), esp. 108–12, 136–37, 158, 528–32.

³⁸ Peter Gourevitch collapses the 1933 crisis agreement with the Agrarians and the 1938 agreement and incorrectly characterizes the Saltsjöbaden negotiations in 1938 as a time when farmers and government met with labor and employers. He misstates the nature of the agreement between labor and employers by asserting that labor gave up demands for socialization and agreed not to strike and that business “accepted high wages.” In fact, business convinced the unions to accept wage *restraint* but not to renounce the use of strikes. See Gourevitch, *Politics in Hard Times: Comparative Responses to International Economic Crises* (Ithaca, N.Y.: Cornell University Press, 1986), 26, 141, 152, 179, 231.

workers in sheltered, home-market sectors like construction; this applied particularly to unskilled laborers, who easily moved from farmstead to building site.³⁹ Relative pay for Danish construction workers was well under control in the 1930s, while in Sweden the problem of severe volatility in relative wages was only solved that decade.⁴⁰ (See Figures 1 and 2.)

In sum, because employers in traded goods desired further centralization to regulate the intersectoral pay structure, it can only be concluded that capital was integrated rather than excluded from the centralizing cross-class coalitions of the 1930s. Social Democrats, through actual (Denmark) or threatened (Sweden) intervention, accomplished what employer power had failed to do: impose a more stable centralization to the satisfaction of farmers and manufacturers alike. This interpretation of events in the 1930s better fits the facts than does the argument that centralization was a consequence of growing left-wing political power, aided by Agrarian support—to the exclusion and at the expense of capital.

LATE INDUSTRIALIZATION AND INDUSTRIAL STRUCTURE

While some adherents of the balance of class power argument look mistakenly for causes of centralized industrial relations in the new political power of the Left in the 1930s, some seek the answer in the peculiarities of the industrial structure of small, late-industrializing open economies. If this latter brand of analysis were correct, it could show how unions acquired their centralized power independently of employers' distributional interests, extraordinary power, and instrumental actions—in order then to be able to make better sense of the idea that centralization could be used as a source of power *against* capital.

The most significant influence on this point of view has been the work of Geoffrey Ingham.⁴¹ In Sweden and Norway, which best sup-

³⁹ Luebbert makes a similar and intriguing argument in no way inconsistent with mine that small landowning farmers in Scandinavia were less reluctant than were such farmers elsewhere in Europe to join with Social Democrats because the latter had failed to make socialists out of many farm laborers and therefore to undermine class domination in the countryside.

⁴⁰ Note that for Sweden much of the 1932 drop in construction wages is attributable to an improvement in the sample of employers reporting wages; the real drop came afterward. Calculations for Denmark are from average hourly earnings for skilled carpenters and metalworkers in Copenhagen, and average daily summer wages are for temporary male agricultural day laborers receiving board. For Sweden, average daily wages are calculated for all industrial workers, skilled and unskilled, and for male temporary day laborers paying their own board (summer only). See also Galenson (fn. 9), 176–77.

⁴¹ Ingham, *Strikes and Industrial Conflict: Britain and Scandinavia* (London: Macmillan, 1974). An influential body of literature on comparative political economy has drawn on Ingham's thesis to help explain the economic and political peculiarities of small, open, export-

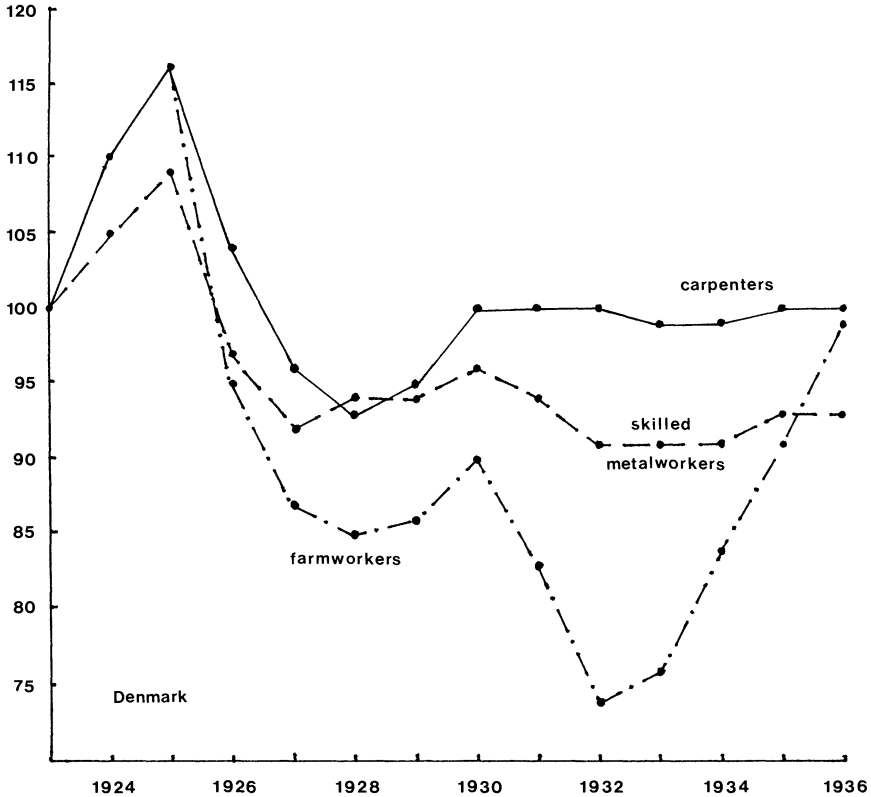


FIGURE I

DENMARK: NOMINAL WAGE TRENDS IN THREE SECTORS (1923 = 100)

SOURCE: Det Statistiske Departement, *Statistisk Aarbog for Danmark*, various years.

port Ingham's case, late industrialization and orientation toward large export markets produced highly concentrated industries based on mass production rather than on crafts technology. Concentration of ownership and control facilitated the efforts of large manufacturers to organize effectively, especially since they carved out specialized export niches and thereby avoided competitive rivalries. Their mass-production technology exploited economies of scale for competition in large export markets and created a relatively homogeneous working class undivided by crafts par-

oriented economies. See, e.g., David Cameron, "The Expansion of the Public Economy: A Comparative Analysis," *American Political Science Review* 72 (December 1978), 1243-61, at 1256-57; and Stephens (fn. 29), 42-44, 127, 141. In his analysis of the strong corporatist tendencies of small states, Peter Katzenstein does not dwell on the question of how or why employers and unions centralized and relies instead on Cameron and Stephens for their arguments. See Katzenstein (fn. 6), 91, 104.

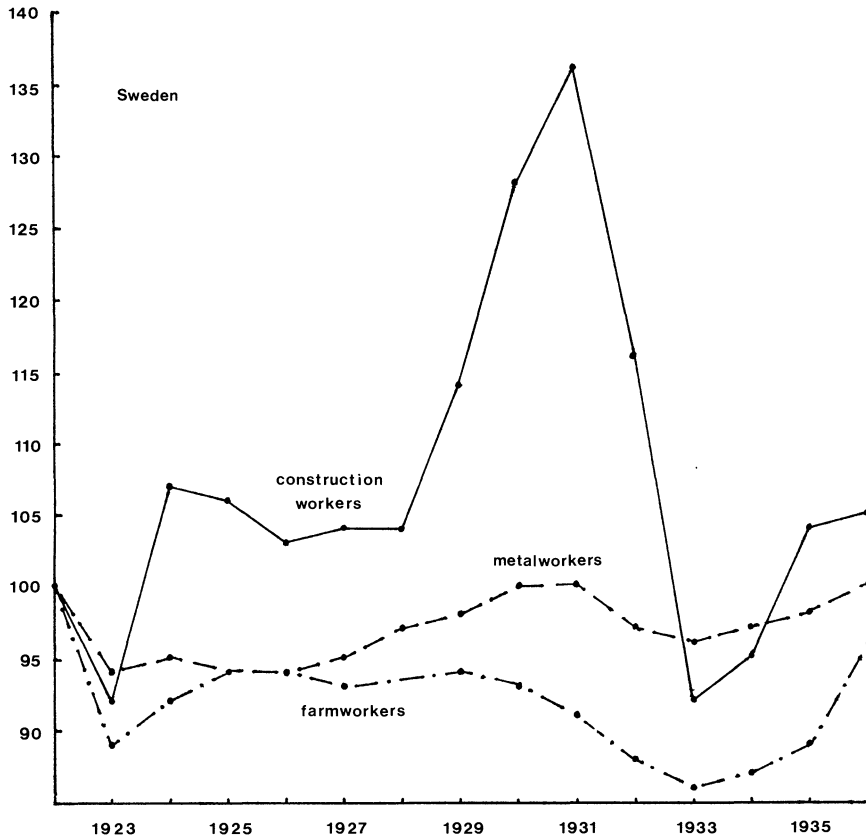


FIGURE 2

SWEDEN: NOMINAL WAGE TRENDS IN THREE SECTORS (1922 = 100)

SOURCE: Statistiska Centralbyrån, *Statistisk årsbok för Sverige*, various years.

particularism. Centralized organizations of workers followed more or less naturally from homogeneity.⁴² In Britain, by contrast, early industrialization and crafts-based small-scale enterprises left both employers and workers too numerous, diverse, and competitive to form strong centralized organizations.

The circumstances surrounding the formation of the Danish Employers' Confederation (DAF) in 1898 show the Ingham thesis to be entirely unsound. The *first* of the strong Scandinavian employer confederations to form, its actions led quickly to the early centralization of power in the Danish Labor Confederation (DSF). As founders of DAF, employers in the

⁴² Ingham (fn. 41), esp. 35–36.

highly fragmented home-market industries dominated the confederation, especially masters' associations in the various building trades. Even the most militant advocates of greater centralization (the relatively small employers in metalworking) manufactured goods mostly for the home market. That is, employers centralized early and sought centralized industrial relations in the very country and sectors where Ingham's analysis would say it is least likely to be found—in easy-entry, small-scale, crafts-based, and home-market sectors. This observation accords with evidence from the industrial relations literature that centralized multiemployer bargaining is most common where there is intense competition among small firms in product markets where ratios of labor to capital are high. Aside from the obvious need to counteract unions' whipsaw tactics, a compelling motivation for such employers to seek or accept centralized pay regulation is to "take wages out of competition"—to prevent the scamping of labor from competitors by overbidding them on the labor market and also to inhibit price warfare and to set up an entry barrier to low-wage/low-price competition.⁴³ Competition, fragmentation, and even old technology associated with early small-scale industry helped promote employer solidarity and centralization rather than, as Ingham suggests, inhibit it.

For this reason, no doubt, Ingham strains to place Denmark in the company of Sweden and Norway. In the case of Denmark he focuses on lockouts and employers' coercive actions to impose centralization, whereas he neglects the same in Sweden and Norway. Ironically, in focusing on employer solidarity in the country where its infrastructural conditions should have been the least conducive to unity, Ingham departs radically from his main argument. Instead of relying on a force deriving directly from his infrastructural conditions (as he suggests he does), he identifies an autonomous explanatory force as decisive without locating either its infrastructural or motivational origins.

In a similar critique of Ingham's argument, Peter Jackson and Keith Sisson turn, as do Stephens and Luebbert, to politics as the cause of centralization. In their argument, which differs from that of Stephens and Luebbert, political division on the Right early in the century (rather than Social Democratic strength alone in the 1930s) forced employers to rely on their own centralized devices rather than on the state to control labor.

⁴³ See Frank C. Pierson, "Cooperation among Managements in Collective Bargaining," *Labor Law Journal* 11 (July 1960), 621–28; Jules Backman, *Multi-Employer Bargaining* (New York: New York University Institute of Labor Relations and Social Security, 1951), 15–18; and Lloyd Ulman, "Connective Bargaining and Competitive Bargaining," *Scottish Journal of Political Economy* 21 (June 1974).

Though plausible and historically better informed, their argument overestimates the importance of the 1902 general strike for worker suffrage in spurring centralized employer organization in Sweden. More important, it fails to identify decisive economic motives analyzed here that were present even without the political mobilization of labor and political division on the right.⁴⁴

THE CONSEQUENCES OF CENTRALIZATION

One variant of the balance of class power interpretation has tended to draw on Ingham's explanation of centralization in order to use centralization to explain the relative political success of left-wing parties in electoral and parliamentary politics. David Cameron's work exemplifies best this integrative understanding of the causes and consequences of centralization.⁴⁵ His version, which differs distinctly from the work of Stephens and Luebbert, sees Social Democratic power as a consequence, and not a cause, of centralization. Although his argument about the consequences of centralization lacks secure footing in an explanation of centralization itself, it alone is plausible and influential enough to merit further analysis.

DO STRONG UNIONS EXPLAIN SOCIAL DEMOCRATIC POWER?

In probably the best of a number of cross-national statistical analyses of social democracy, Cameron finds that one factor—centralized, encompassing, and densely organized union confederations—seems to explain much of the variation in left-wing political control of government. He proposes a causal mechanism to connect the two: the “organizational resources” of unions or “labor’s strength” relative to capital—an argument he borrows from Walter Korpi.⁴⁶

⁴⁴ Jackson and Sisson, “Employers’ Confederations in Sweden and the U.K. and the Significance of Industrial Infrastructure,” *British Journal of Industrial Relations* 14 (November 1976). Walter Korpi challenges Ingham’s data, arguing that if anything British industry is more concentrated in terms of the largest firms’ share of total industry employment; see Korpi, *The Working Class in Welfare Capitalism: Work, Unions and Politics in Sweden* (London: Routledge and Kegan Paul, 1978), 394. Curiously, like Ingham, even Korpi relies on data from the 1950s and 1960s; and neither speculates that these data might reflect *consequences*, and not causes, of earlier bargaining structures. In fact, centralized pay standardization in Sweden probably helped destroy many smaller enterprises.

⁴⁵ Cameron, “Social Democracy, Corporatism, Labour Quiescence, and the Representation of Economic Interests in Advanced Capitalist Society,” in John H. Goldthorpe, ed., *Order and Conflict in Contemporary Capitalism* (New York: Oxford University Press, 1984), 163–64, 177. Cameron does not explicitly cite Ingham there but relies on Ingham elsewhere to explain centralization and its consequences; see Cameron (fn. 41), 1256–57.

⁴⁶ Similar arguments are made by Nils Elvander, *Skandinavisk arbetarrörelse* (Stockholm: Liberförlag, 1980), 312, 320, 333; and Andrew Martin, “Wages, Profits, and Investment in

There is much intuitive appeal to this idea and possibly an element of truth. However, even strong corporatist unions have never been able to deliver solid or stable electoral and parliamentary majorities to left-wing parties and therefore to overcome what Adam Przeworski identifies as social democracy's dilemma in the struggle over votes—to go the route of radicalism with its attendant loss of moderate, often white-collar voters or to choose moderation and loss of radical, often blue-collar supporters.⁴⁷ Therefore, as Francis Castles demonstrates well, explanation of Social Democratic parliamentary domination must also consider the divisions and weaknesses of the parties to the right of Social Democrats.⁴⁸

But even political division of the Right, characteristic of Scandinavia, probably does not adequately complete the explanation, because it fails to answer a nagging question posed by the concept of "relative power resources." If Swedish and Danish employers were as organizationally strong as depicted here, why were they unable to use that power to generate more frequent majority parliamentary coalitions against minority Social Democrats? Why with such resources did they fail to indoctrinate the electorate against Social Democratic ideas and to design strategies to unite conservative parties against the Left?

In part, they may simply have been unwilling to use their resources against the Left. The period of cross-class realignment in the 1930s, after which Social Democrats entered upon long periods of uninterrupted left-wing parliamentary control, was also a time when employers mostly withdrew from partisan politics and, with episodic exceptions, otherwise toned down their public propaganda against the Left. Instead of working primarily with and through rightist parties to win political influence, they bypassed the partisan route and dealt directly, confidently, and at times aggressively with Social Democratic governments.⁴⁹

The concept of relative organizational resources in the hands of centralized labor confederations is therefore inadequate to the task of explaining the Left's political domination. Indeed, the historical record shows that it was employers' *strength*, not weakness, that helped bring about peak-level centralization at the same time the coalition was forged (at least in Sweden)—and then on distributional terms favorable to em-

Sweden," in Leon N. Lindberg and Charles S. Maier, eds., *The Politics of Inflation and Economic Stagnation* (Washington D.C.: Brookings Institution, 1985), 424–25.

⁴⁷ See especially Przeworski, "Social Democracy as a Historical Phenomenon," *New Left Review* 122 (July–August 1980), 27–58; and idem, "Party Strategy, Class Organization, and Individual Voting," in Przeworski (fn. 2), 99–132.

⁴⁸ Castles (fn. 4), 3–45.

⁴⁹ See, e.g., Sven-Anders Söderpalm, *Direktörsklubben* (The directors' club) (Lund: Rabén & Sjögren, 1976).

ployers. Employer satisfaction with unions' behavior in collective bargaining can also help account for high levels of union membership, which along with centralization is ironically one of Cameron's indicators of labor strength relative to capital.⁵⁰ One cannot account for the fact that Social Democrats held control so securely for so many years without recognizing the contentment of employers and their consequent disinterest in mobilizing voter and party sentiments against the Social Democrats. Had it been otherwise, they would have sought more energetically to merge liberals and conservatives and entice the Agrarian Party (later the Center Party) into alternative coalitions with them.⁵¹ That employers were quite satisfied with Social Democratic governments can be seen in the apparent obsolescence of the lockout—as well as the strike—following the Social Democrats' rise to power in the 1930s.

DOES SOCIAL DEMOCRATIC POWER MAKE THE STRIKE OBSOLETE?

As many since Ingham have observed, the labor peace that ensued in Denmark and Sweden following the 1930s is remarkable, especially in light of the extraordinarily high levels of conflict earlier on in the Scandinavian countries. The balance of class power school of thought on the political economy of social democracy has a ready explanation, offered by Korpi and Shalev, Cameron, and others.⁵² This argument suggests that both centralization and parliamentary control gave to the Left power that made the strike obsolete. Douglass Hibbs takes this argument the furthest, arguing that the 1930s brought “a massive shift of political power away from business interests and their middle-class allies to the ‘organized working class.’” The benefits gained thereby in the form of “collective consumption and distribution” made the strike obsolete as an instrument for achieving distributional and political ends.⁵³

The focus on employers as powerful institution builders and the view of Social Democratic rule as a cross-class alliance with capital in this study casts doubt on the importance of labor's political strength in the “withering away of the strike” in Scandinavia. James Fulcher is one of the few to recognize that in Sweden at least the strike had already begun

⁵⁰ On the importance of employer recognition for union membership levels, see Clegg (fn. 5).

⁵¹ That they could have done so is suggested by Leif Lewin's intriguing analysis of the fragility of the initial red-green alliance and the potential ability of Agrarians to be bought off by the Right as well as the Left; see Lewin, *Ideologi och strategi* (Stockholm: Norstedt, 1984).

⁵² Korpi and Shalev (fn. 1, 1979 and 1980); Cameron (fn. 45, 1984).

⁵³ Hibbs, “On the Political Economy of Long-Run Trends in Strike Activity,” *British Journal of Political Science* 8 (April 1978), 153–75.

to decline in the 1920s, possibly due to the the new labor court.⁵⁴ More puzzling in the usual discussion of the statistical findings is the consistent failure to distinguish between the strike and the lockout. In their explanations of the decline of the strike in Scandinavia, all studies measure things like “days lost in disputes,” a large portion of which—in some high-conflict years virtually all of them—were due to lockouts. In 1922, for example, 98.7 percent(!) of Danish workers directly involved in disputes were locked out, and the proportion of days lost due to lockouts would have been similar. Because of the nature of officially reported statistics on work stoppages, Hibbs’s composite measure of “strike volume”—for Denmark at least—included man-days lost due to lockouts as well as strikes.⁵⁵

Failure to distinguish between strikes and lockouts yields a distorted picture of the decline of industrial conflict in Scandinavia, and the question of why the lockout vanished faster than the strike is left unaddressed. From 1919 to 1932 in Denmark, on average 36 percent of workers directly involved in stoppages in any year were locked out rather than on strike. Between 1933 and 1955—after the Kanslergade Agreement and the introduction of compulsory arbitration by the Social Democrats—the figure plunges to about 5 percent. In Sweden, from 1919 to 1938 (Saltsjöbaden), on average each year 29 percent of workers in disputes were locked out or in “mixed disputes” involving both strikes and lockouts. From 1939 to 1949 that figure slips to below 2 percent.⁵⁶

Since the lockout is usually called in defense against strikes initiated by unions, one might argue that its decline is simply a reflexive consequence of the decline of the strike. But this argument misses a key fact about the lockout in Denmark and Sweden—that it was both defensive

⁵⁴ Fulcher (fn. 1). But the court was not established until 1928, after the decline set in. Also, like Stephens and Luebbert, Fulcher errs in suggesting that the 1938 agreement followed a shift in employer strategy in response to Social Democratic power (pp. 237–42).

⁵⁵ Figures from Det Statistiske Departement, *Statistisk Aarbog for Danmark*, various years. Denmark’s official statistics do not break down lost man-days as do those from Sweden. Korpi and Shalev (fn. 1, 1980) do not discuss their sources, but the deficiencies of official data make it unlikely that they excluded locked-out workers in their measure of “strike involvement.” See also Ingham (fn. 41), 30. All seem to have taken their cue from Arthur M. Ross and Paul T. Hartman, who deliberately combined strikes and lockouts even when they were reported separately; see Ross and Hartman, *Changing Patterns of Industrial Conflict* (New York: Wiley, 1960), 184. The same holds for the comparative analysis of strikes in Edward Shorter and Charles Tilly, *Strikes in France 1830–1968* (London: Cambridge University Press, 1974), 306–34.

⁵⁶ After 1955 in Denmark and 1949 in Sweden, official statistics stop reporting lockouts. With the virtual disappearance of lockouts from 1937 onward in Denmark (when Social Democrats began using compulsory arbitration against the unions rather than against employers) and from 1939 onward in Sweden, the respective statistical bureaus stopped reporting them. Figures from Statistiska Centralbyrån, *Statistisk årsbok för Sverige*, various years; and Det Statistiske Departement, *Statistisk Aarbog for Danmark*, various years.

and offensive simultaneously. It was useful in the first instance to block workers' immediate demands and whipsaw tactics by draining central strike funds. Empty strike funds brought at least temporary respite in following years. It was also used offensively in the 1920s to impose wage reductions. Furthermore, it was instrumental in forcing upon unions, against the will of many among them, the kind of centralized authority needed to control interindustry pay shifts. The September Agreement of 1899 in Denmark was pushed on the unions with an encompassing lock-out offensive. The 1938 Saltsjöbaden Agreement in Sweden was also negotiated from a position of strength: employers were genuinely surprised in 1933 by the success of their lockout threat in spurring LO and the Social Democrats into action against construction unions.

One could also argue that the rapid decline of the lockout was a sign of labor's new political power, which deterred employers from using the lockout. Jackson and Sisson argue plausibly however that the relative weakness of the Swedish Right early in the century, compared with elsewhere in Europe, probably encouraged employers to rely on their own devices rather than on the state and therefore to become as organized and militant as they did. Why then would the further decline of the Right not make employers even more militant? In fact, employers in Sweden continued to threaten sweeping lockouts as late as the 1950s. They did not have to use them, however, for the Social Democratic government supported employers' objectives at the time, including even further centralization of LO and the bargaining process. Swedish Social Democrats never used their legislative power to challenge the legal right of employers to use the sympathy or any other kind of lockout, whereas labor in other countries fiercely opposes the right of employers to use the lockout. LO after all had promised to respect employers' right to the sympathetic lockout in the 1938 agreement.

With these considerations in mind, one is tempted to turn Korpi's and Hibbs's argument on its head and say that employers ceased using the lockout because, with the help of Social Democratic governments, they achieved distributional objectives that they had previously tried (unsuccessfully) to accomplish on their own. In other words, the political power gained by employer confederations in their cross-class coalitions with Social Democrats, unions, and farmers also caused them to lay down their most powerful weapon, one of the main purposes of which had been to halt the spread of wage increases and militancy from one sector to another. By allying with Social Democrats, employers in traded-goods sectors got the help they needed to stabilize the intersectoral pay structure, which they had only controlled with repeated and costly shows of force.

The Danish Kanslergade Agreement of 1933, which introduced statutory pay setting based on compulsory arbitration, was initially used to forestall a lockout; soon afterward Social Democratic intervention was applied *instead* of lockouts.

In conclusion, the decline of industrial conflict in Scandinavia is not well explained by the idea of the growing power of the labor movement at the expense of capital. Using the lockout, employers had partially succeeded on their own in centralizing union control and reducing work stoppages. Before the First World War and during the interwar years employers in Denmark, unlike those in Sweden, asserted their centralized power without help from Social Democrats, with the possible result that conflict levels in Denmark were substantially lower.⁵⁷ Reduction in conflict levels after the 1930s occurred in part because the lockout rather than the strike had essentially become outmoded as an alternative to political influence and in part because the strike had become more risky for the militant unions left out of the alliance. Social Democratic governments, through compulsory arbitration in Denmark and threats of the same in Sweden, helped create centralized discipline along lines desired by employers.

RECONCEPTUALIZING LABOR'S POWER: MARKET POSITION AND CLASS ORGANIZATION

This critique has sought to show that labor's organizational structure and parliamentary strength are not sources of power against capital. By focusing on these things, the balance of class power literature has misunderstood but mostly neglected the role of markets. The conventional focus on late industrialization and industrial structure has misled many away from the possibility that Scandinavia's past exceptionalism in labor politics is better accounted for by relatively tight labor markets and immobile capital vulnerable to international competition. Employers reacted to labor's associated advantages by building their extraordinary lockout arsenal. In contrast, early-twentieth-century waves of immigration favored American employers (to the consternation of Swedish employers) with large pools of surplus labor; later on American employers enjoyed greater geographic mobility within and outside their larger and more insular home markets. Early in the century U.S. employers routinely and effectively used strikebreakers; after the 1930s they often simply moved to escape labor's regionally limited legal and political protec-

⁵⁷ Between 1903 and 1935 the loss of man-days due to disputes relative to the number of organized workers in Denmark was greater than in Sweden in only five different years; in Norway, in only four different years. See Galenson (fn. 9), 192.

tion. Thus, the multiemployer lockout as a weapon to control and shape labor played no significant role in American industrial relations.⁵⁸

Hence, markets in Scandinavia gave workers and unions enormous overall advantages, including the power to constrain the range of strategic choices employers could make. They did not however give union leaders the instrumental power to dictate the shape of industrial organizations on terms they favored. (That ability seems to have been more characteristic of organized employers.) It therefore does not follow from the notion that labor's power derives from markets as well as organization and politics that Danish and Swedish workers could simply parlay their overall market advantages directly into organizational or political power against capital. The reality is much more complicated: although one labor group's distinct market position may have empowered it against capital, the same advantage may have activated other groups to form effective organizational and political alliances *with* capital.

So the case seemed to be in Denmark and Sweden, where union groups in a strong market position suffered material, organizational, and political losses as a result of the cross-class alliances of the 1930s. Here "strong market position" refers to the relative ability through independent action—strikes or price increases—to defend or raise one's share of factor income. The self-identified losers in the centralization of pay setting were workers in construction (especially unskilled laborers in Denmark) and in printing industries whose insulation from international market discipline placed them in a relatively advantageous market position. Their strong position was ultimately neutralized by the power of centralized actors intent on restraining or reducing their relative wages with organizational and political force. The self-identified and real winners were employers in a *weak* market position—manufacturers of traded goods vulnerable to permanent loss of market shares if they responded with higher prices to increasing wage and other costs originating from sectors like construction. They asserted control within their multi-industry confederations at the expense of less militant and organized employers in construction and then used their confederations to check the spread of wage pressures and rank-and-file militancy across sectoral lines.

Metalworkers placed in a weak market position by harsh international competition gained organizational power within their confederations and secured greater employment security if not higher wages from the changes in pay distribution resulting from centralization. Their union leaders stood to gain from neutralizing the discontent among the rank

⁵⁸ Only recently have Americans witnessed such a lockout—in that most American of all industries, baseball.

and file generated by disturbances in the intersectoral and interoccupational pay structure, that is, when construction wages in Sweden rose and metalworkers' relative wages (and due to high rents, purchasing power) fell or when separately organized unskilled workers in Danish construction helped their counterparts close skill differentials in manufacturing.

Even if they lost little in material terms, construction employers in a relatively strong market position lost organizational dominance, political influence, and even entrepreneurial autonomy in the new institutional and political order built upon centralization. Danish manufacturers rather than builders benefited materially from the Social Democrats' interventionistic exchange and trade policies; builders would perhaps have been better off with the 20 percent wage reduction instead. While aggressive export employers in Sweden frightened Social Democrats during the early postwar period from asserting political control over investment and production, they actually encouraged government regulation of housing construction (countercyclical and locational) to meet manufacturers' manpower needs. In any event builders' basic economic position was probably enhanced on the demand side by the extensive housing programs initiated by Social Democrats during the depression. Indeed, the extra employment opportunities created in both countries by the crisis programs probably also helped compensate construction workers for their organizational and distributional defeats.

In sum, those groups among both capital and labor that had enjoyed a strong market position were more directly disadvantaged by centralization and the wider sociopolitical alliances of the 1930s; by contrast, those with weaker market power put together the alliance and gained materially and/or organizationally. The winners within both capital and labor used their respective coercive power—the sympathy lockout and state intervention (or threats thereof)—to discipline the losers. The cross-class realignment of the 1930s thus equalized across sectors the power applied in regulation of the intersectoral income structure. In shaping the new order, the collaborative deployment of organizational and political resources across class lines by groups sharing similar market positions proved more important than were resources generated and applied according to the logic of class polarization.

CONCLUSION: RETHINKING SOCIAL DEMOCRATIC ALLIANCES

The cross-class political realignment that brought Social Democrats in Denmark and Sweden to power and helped them stay there included

subpolitical alliances of union and employer groups behind centralized control of industrial relations and the intersectoral structure of pay. Within both capital and labor, conflicts between traded-goods sectors like engineering and sheltered home-market sectors like construction motivated the formation of cross-class alliances for control of intraclass competitors and opponents. Employer lockouts and Social Democratic intervention pushed in the same, not opposite, directions and for similar purposes. Social Democratic power substituted well for the lockout, and therefore the loss of working days due to industrial strife (including massive lockouts) subsided dramatically. The limited evidence available for Norway suggests the same factors help explain centralization, Social Democratic rule, and industrial peace beginning in the 1930s.⁵⁹

Centralization and Social Democratic governments promised to hold urban wages down and thereby limit rural wage costs and the loss of labor to industry. Thus the cross-class industrial alliance favoring centralization in Denmark (primarily at the expense of unskilled laborers) probably facilitated and stabilized the parliamentary coalition between Agrarians and Social Democrats. In a similar horse trade of agrarian protection for urban employment, Swedish farmers made their support for creation of new jobs in housing construction conditional on control over militant construction workers and on limiting their high wages. Further, though Swedish building workers lost in terms of bargaining autonomy and relative wages, the depression-era construction program promised more jobs. The parliamentary alliance therefore helped repair divisions that had been created by the industrial-level alliance.

In conclusion, the cross-class alliance process that facilitated and sustained Social Democratic rule in Denmark and Sweden was far more complex, multilayered, and even time-consuming than has commonly been depicted. Viewing centralization of industrial relations as a step in the building of this alliance requires abandoning the common notion that capital was weak or passive relative to labor (or “the state” for that matter), and hence not a “social foundation” of the 1930s alignment. Cen-

⁵⁹ The 1935 agreement between the labor and employers' confederations (similar to the 1899 Danish and 1938 Swedish agreements) inaugurated Norway's “solidaristic wage policy” of holding back pay in construction, in consonance with employers' lockouts and legal strategies; Walter Galenson, *Labor in Norway* (New York: Russel and Russel, 1970), 80–81, 175, 245. Social Democrats and the metalworkers' union joined employers in support of centralized control over militant building tradesmen (who bolted from the trade union confederation), especially high-pay masons in Oslo. See Svein Dahl, “Norsk Arbeidsgiverforening 1927/28: Talbaketog og revurdering” (The Norwegian employers confederation 1927/28: Retreat and reevaluation), *Historisk tidsskrift* 1 (1981), 1–25; and Erling Petersen, *Norsk arbeidsgiverforening, 1900–1950* (The Norwegian employers' confederation, 1900–1950) (Oslo: NAF, 1950), 532–48.

tralization did not, as is often supposed, give the Left added power to assert itself in parliamentary politics at the expense of capital. Nor did parliamentary success in alliance with farmers give labor the extra boost of power that it needed to centralize and therefore unify labor at the expense of employer power. Both of these ideas mistakenly attribute major institutional and political changes to a change in the balance of power between the undifferentiated and antagonistic blocs “capital” and “labor.” By ignoring employer organization, strategy, and collective action that led to centralization, these notions distort our understanding of labor’s limits—and opportunities—in capitalist democracies.⁶⁰

⁶⁰ See also Swenson (fn. 3).