



## ORIGINAL ARTICLE OPEN ACCESS

# Retrenchment Without Liberalisation: Making Sense of Sweden's Shift Away From Consensual and Evidence-Based Politics

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## ABSTRACT

Fifteen years ago, Bergh and Erlingsson (2009) argued that Sweden's period from 1980 to 2000 was characterised by 'liberalisation without retrenchment'. This resulted from pragmatic policymaking, a consensus-building governmental inquiry system and close links between policymakers and academics. We use new data to confirm that total tax revenue and economic freedom increased in Sweden during the 1980s and 1990s. After 2000, however, the trends reversed: between 2000 and 2020, taxes, welfare state generosity, and economic freedom declined. To explain the shift from 'liberalisation without retrenchment' to 'retrenchment without liberalisation', we explore seven tentative explanations: (1) changes in the system of government commissions, (2) social media's impact, (3) deteriorating relations between politics and academics, (4) the death of bloc politics and increasing fragmentation of the party system, (5) the decline of corporatism and the rise of lobbying, (6) changes in the policies promoted by the European Union and the OECD and (7) younger politicians in parliament and government.

## 1 | Introduction

In the 1970s, Swedish policymaking was characterised as rational, pragmatic and consensual. Government commissions and interest groups played an important role, and generally, decisions were taken carefully rather than hastily (Anton 1969; Elvander 1974; Castles 1976). However, the 1970s also saw economic growth and living standards lagging comparable countries. It became increasingly clear that the much-vaunted Swedish model was less suitable for dealing with new economic challenges such as stagflation—the combination of inflation and rising unemployment—and the transition to a post-industrial economic structure (Lindbeck 1997; Lindert 2004; Bergh 2014a). However, as we described in Bergh and Erlingsson (2009), Sweden managed to restructure its welfare state despite the risk of upsetting the electorate and arousing resistance from vested interests (cf. Lindbom 2001). After a

sharp downturn in the early 1990s, Sweden's economic performance improved significantly for decades.

A key conclusion by Bergh and Erlingsson (2009) was that several features of the 'policy-making Swedish style'—as already described by Anton (1969)—were also present in the 1980s and the 1990s. We coined these reforms 'liberalisation without retrenchment': they increased economic freedom but avoided significant public sector cutbacks. A pragmatic attitude among political parties, a consensus-building governmental inquiry system, and close ties between policymaking and academics contributed to Sweden's strong reform capacity and paved the way for strong economic development after 1995 (cf. Bergh 2014b).

In this paper, we return to Bergh and Erlingsson (2009) and ask whether 'liberalisation without retrenchment' is still an

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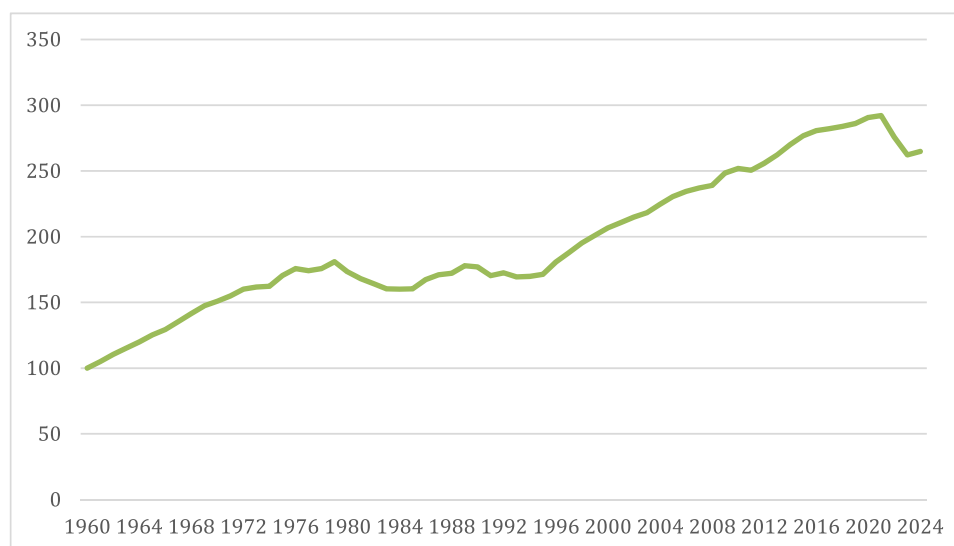
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accurate description of Swedish policy and whether pragmatism, evidence-based approaches and cross-party consensus on reforms still characterise the Swedish style of policymaking. Ultimately, we show that the answer to the first question is an unambiguous no and that the answer to the second question is arguably also negative. The important factors we identified in Bergh and Erlingsson (2009) have weakened or disappeared. Moreover, new challenges have emerged. We conclude by exploring possible explanations for why Sweden seems to have lost much of its reform capacity.

The paper is structured as follows. After this introductory section, the second section provides background and context to the case of Sweden and its transformation from a highly regulated, high-tax economy with several state monopolies to a competitive and open economy that weathered the 2008 financial crisis better than most comparable countries. We outline theoretical priors that help explain how the core of the welfare state remained surprisingly stable despite a high pace of reform in 1980–2000 and exogenous shocks in the same period. In addition, we describe the shift from 2000 onwards towards lower welfare state generosity and less economic freedom (also relative to other countries). In the third section, we explore possible explanations for this shift and argue that it is related to a deterioration in reform capacity. The fourth and final section summarises and discusses the findings.

## 2 | Background: Economic Freedom and Public Sector Size in Sweden

As a simple but compelling illustration of the changing performance of the Swedish economy, Figure 1 shows the development of real wages from 1960 to 2024. While wages have risen substantially over these 60 years, they stagnated for two decades, from 1975 to 1995. Many aspects of the Swedish model have been pointed to as possible explanations for the stagnating economic development, and Sweden has sometimes been used as a cautionary tale (e.g., Stein 1991).



**FIGURE 1** | Real wages in Sweden 1960–2024. *Note:* Index, 1960 = 100. Value for 2024 is preliminary. Deflated using consumer price index (KPI). *Source:* Medlingsinstitutet. [Color figure can be viewed at [wileyonlinelibrary.com](https://onlinelibrary.wiley.com)]

In the 1970s, wage increases and high energy prices threatened the competitiveness of Swedish firms. Politicians responded by repeatedly devaluing the Swedish krona. These devaluations eroded the value of wages through inflation, leading to union demands for higher wages and causing a wage-inflation spiral. The devaluations created uncertainty and delayed the economy's structural transformation away from an industrial society.

Moreover, in the 1970s, Sweden had a complex tax system with high marginal tax rates. The incentive structure favoured tax planning and indebtedness while discouraging work and saving. Welfare policies to reduce poverty and economic inequality also led to weak work incentives. Reforms aimed at strengthening the position of employees in the labour market had the side effect of dualising the labour market—job security for permanent employees was high, meaning that temporary contracts met employers' need for flexibility in staffing. On average, unemployment was low, but marginalised groups such as the young, the sick, and the foreign-born fared less well.

Public monopolies, red tape and rigid regulations were also heavily criticised, and the Swedish public sector was repeatedly questioned for its lack of cost-consciousness, failure to adapt to individual preferences and restricted freedom of choice. Critics also pointed out that the high taxes needed to finance the welfare state would become increasingly difficult to sustain as the economy became more global and tax bases more mobile.

Examples of these types of critical analyses of Sweden are abundant, for instance, in Agell (1996), Borg (1992), Henrekson (1992), Henrekson et al. (1994), Langby (1984), Lindbeck (1997), Snower (1993), Stein (1991) as well as Ståhl and Wickman (1993). A recurring theme in such descriptions was that the Swedish welfare state, as it was configured in the 1970s and 1980s, was economically *and* politically unsustainable. *Economically*, because it would become increasingly expensive, requiring taxes so high that the tax base would erode, leading to budget deficits and increasing government debt. *Politically*, the electorate (allegedly) would not accept it and would vote for a

fundamentally different system as a revolt against the high-tax state with public monopolies and limited freedom of choice in its welfare provision.

By the early 2000s, it was clear that the Swedish welfare state had avoided a collapse that some had predicted and, likely, that some ideologically motivated critics had hoped for. The crisis of the early 1990s ended around 1994, after which the Swedish economy developed strongly from 1995 onwards. The budget deficit and public debt fell whilst real wages and incomes increased. Moreover, public support for the welfare state was remarkably stable (Goossen 2021; Svallfors 2011), prompting the Moderate Party—known for its calls for tax cuts and efficiency improvements—to re-evaluate its strategy in the 2006 election, re-branding itself as Sweden's 'New Labor Party'.

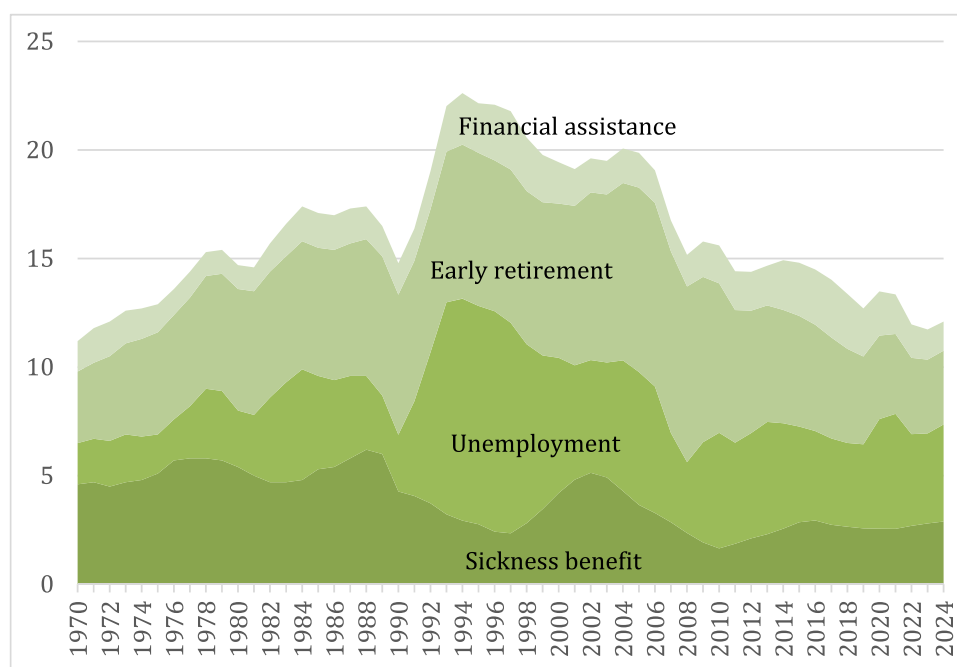
As a second illustration of the changing trends, Figure 2 shows how the proportion of adults (full-time equivalents, aged 20–64) receiving welfare transfers increased from 11% in 1970 to 23% in 1994. But since then, the trend has been decreasing—despite the 2008–2010 global financial crisis, a crisis Sweden endured better than most other countries. It went so far as Washington Post (2011) dubbing Sweden as 'The Rockstar of Recovery' and an International Monetary Fund (2012) hailing the country's robust policy frameworks, sound public finances and low debt levels playing crucial roles in this recovery. Additionally, a report from the Asian Development Bank (2009) highlighted Sweden's strategic approach to crisis management, which involved structural reforms and effective financial sector policies that helped stabilise the economy and foster a quick rebound. Moreover, monographs were published highlighting Sweden as a model for other countries, such as George Lakey's (2016) *Viking Economics*.

## 2.1 | Bergh and Erlingsson (2009) Revisited: Liberalization Without Retrenchment

As a tool for describing policy changes in Sweden, we used a modified version of the Economic Freedom of the World index, published for the first time in 1995 by the Fraser Institute. The concept of economic freedom is an umbrella term used to describe the extent to which market participants are free to contract with each other without being hindered by various types of regulation and government intervention. Simply put, economic freedom measures the degree to which a country is a market economy. Published annually since 2000, with data available only every fifth year before that, the index is constructed by compiling a variety of official statistics and data and converting them into a scale ranging from 0 to 10, where a higher value indicates more economic freedom. The index now consists of five dimensions, representing different types of economic freedom as described in Table 1.

The index's design has been criticised, especially its first dimension, which measures public sector size (e.g., Ott 2018). The index's construction implies that, by definition, countries with extensive welfare states—and thus high taxes and public spending—have lower economic freedom. This makes sense if economic freedom is defined as the absence of government interference. However, empirical evidence shows that the first dimension—the size of the public sector—correlates weakly or not at all with the other dimensions. On the other hand, dimensions 2 through 5 are highly correlated. Statistically and probably substantially, too, dimension 1 is likely to capture another underlying phenomenon than the other four dimensions.

It has also been shown that a few countries (including Sweden) can successfully combine low economic freedom in terms of



**FIGURE 2** | Transfer payments in Sweden since 1970. *Note:* Share of adult (aged 20–64 but 20–65 for the last 2 years) population with support from various transfers and benefits. Full-time equivalents. Unemployment includes labour market training programs. Financial assistance includes support for refugees (etableringsersättning) since 2014. *Source:* Statistics Sweden. [Color figure can be viewed at [wileyonlinelibrary.com](https://onlinelibrary.wiley.com)]

**TABLE 1** | Five types of economic freedom (and examples of what economic freedom entails).

1. Public sector size (low taxes, low public expenditure, limited public ownership)
2. Rule of law and property rights (impartial enforcement of property rights and absence of corruption)
3. Monetary policy and payment system (low and stable inflation)
4. International trade (low tariffs and few nontariff barriers)
5. Regulation of the domestic economy (A flexible labour market with little regulation of domestic product markets)

government size with high economic freedom in the other four dimensions. Thus, these countries are characterised by high taxes and a relatively free capitalist market economy. Moreover, regarding economic and social indicators, countries with this profile appear to be at least as successful as countries with uniformly high economic freedom in all dimensions (Bergh 2020).

By removing the government size dimension from the economic freedom measure and by using total taxes as a share of GDP as an indicator of total government size, we demonstrated that the transformation of the Swedish model between 1980 and 2000 could be aptly characterised as ‘liberalization without retrenchment’ (Bergh and Erlingsson 2009). While taxes and public spending remained high (especially compared to other countries), the organisation of the public sector changed substantially, for example, through the introduction of quasi-markets and various mechanisms increasing freedom of choice (Blomqvist 2004; Blix and Jordahl 2021).

Figure 3 replicates and extends our analysis in Bergh and Erlingsson (2009) and illustrates how government size (measured as total tax revenue for all levels of government as a share of GDP) and economic freedom, excluding the government size dimension, have developed in Sweden from 1980 to 2022. Both time series have been revised and updated, but the ‘liberalization without retrenchment’ period is apparent. In fact, during the steep increase in economic freedom between 1980 and 2000, total tax revenue in Sweden trended upwards.

## 2.2 | Explaining Welfare State Survival From 1985 to 2005?

Around 2000 to 2005—when our previous time series ended (Bergh and Erlingsson 2009)—a strong case could be made that Sweden had defied doomsday predictions by trimming the welfare state a little and significantly increasing economic freedom. Given the bleak predictions in Langby (1984), for instance, it was motivated to ask: What happened to the collapse of the Swedish welfare state? It is plausible to argue that the Swedish welfare state’s resistance to collapse has several intertwined explanations. The first is that Sweden’s problems were, to some extent, exaggerated by critics of the welfare state. For example, much evidence suggests that economic globalisation has not been the threat to the welfare state and tax

revenue it has been portrayed as (e.g., Lindbom 2001). On the contrary, many aspects of economic openness are favourable for welfare states like Sweden (Bergh 2021).

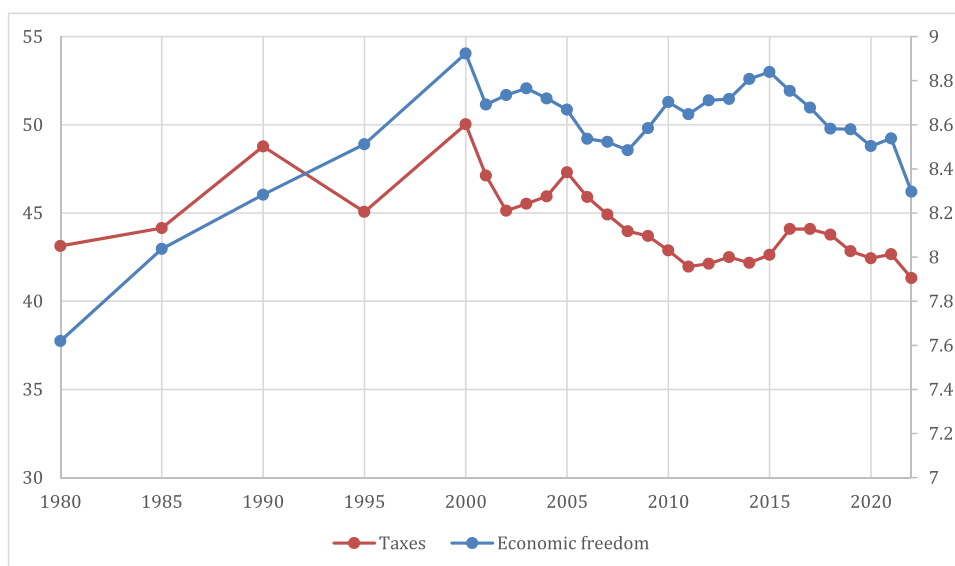
A second explanation is that the critics were right in several respects—but rather than collapse, the criticism led to changes and reforms. For example, benefit levels close to 100% and marginal tax rates above 70% were abandoned in the early 1990s. Swedish policymakers in the 1980s and the 1990s managed to agree on and implement reforms that ultimately made the welfare state more politically robust and economically resilient while preserving its core. Given the well-documented difficulties of implementing change in mature welfare states (e.g., Castles 2004; Fernandez and Rodrik 1991; Pierson 1996; Rothstein 1996), doing so was not trivial. In Bergh and Erlingsson (2009), we showed that Sweden’s reform pace was higher than that of most comparable countries, and the liberalisation without retrenchment strategy was important for at least two reasons.

1. Reforms aimed at making the welfare state more robust and adaptable to a globalised economy through increased economic freedom can be accepted by parties that favour the welfare state *and* those that favour economic freedom.
2. Reforms that are not primarily aimed at reducing the size of the welfare state (or changing its character from universal to selective) give politicians more freedom to compensate groups that lose out in the short run (Lindvall 2017; Duval 2008). Therefore, reforms can be crafted so that enough people perceive they benefit sufficiently to refrain from sternly opposing the reform.

We also highlighted another factor: Swedish politics traditionally had a close relationship with leading Swedish social scientists, especially economists and political scientists. An important arena for these contacts was the Swedish system of governmental committees, mainly the broad parliamentary commissions of inquiries. These helped to reconcile different parties’ and politicians’ perceptions of reality, thus facilitating political compromise.

A characteristic feature of Sweden’s intensive reform period is that the reforms, as a rule, were supported by parties both to the left and the right. In some cases, the consensus was a direct result of the Social Democrats negotiating the reform together with one or more centre-right parties. In other cases, the consensus was implicit (or indirect)—one government introduced a reform that subsequent governments accepted. In practice, the Carl Bildt centre-right government of 1991–1994 often proposed and implemented reforms under harsh objections and protests from the opposition. Still, when the Social Democrats won the 1994 election, none of the significant liberalising reforms were overturned. Similarly, the 1991–1994 Bildt government had indeed benefitted from the 1980s Social Democratic governments who had prepared, inquired and thus paved the way for important reforms, which in turn had employed several influential policy experts and officials with economic training (the so-called *kanslihusögern*).

Although different actors naturally had different motives, governmental committees and influential actors in the public



**FIGURE 3** | Economic freedom (blue, right-hand scale) and total tax revenue relative to GDP (red, left-hand scale) in Sweden 1980–2022. *Note:* Taxes/GDP is total tax revenue divided by GDP (Source: OECD). Economic freedom (Source: The Fraser Institute) excludes government size as the text explains. [Color figure can be viewed at [wileyonlinelibrary.com](https://onlinelibrary.wiley.com/doi/10.1111/1467-9477.70000)]

debate argued that reforms were needed to adapt the welfare state to changing economic conditions. Illustrating that point is that leading and influential Social Democrats agreed with right-wing politicians that there was an urgent reform need and that public finances needed balancing. Former Social Democratic Finance Minister Kjell-Olof Feldt (1994) put it succinctly when he titled his book *Rädda Välfärdsstaten!* (eng., *Save the Welfare State!*). Several similar examples are shown in Table 2.

Consensus on significant reforms was not unfamiliar to Sweden. In the late 1960s and early 1970s, several political scientists had already identified what they viewed as a uniquely Swedish way of doing politics (e.g., Anton 1969; Castles 1976; Elvander 1974). These scholars argued that, compared to other countries, policymaking in Sweden was characterised by rationality, pragmatism and consensus. In addition, broad commissions of inquiries—who were given adequate time-frames—played a crucial role in enabling major political decisions to be made at all. Interest groups were invited to participate in negotiations on major reforms. Moreover, an old and ambitious referral system ensured that experts in relevant governmental agencies were heard before decisions were made (Bergh et al. 2024), and in general, decisions on large-scale reforms were not taken in haste.

The period from 1970 to 1995 has often been described negatively, for instance, in Assar Lindbeck (1997) influential *The Swedish Experiment*. As described above, Sweden's economic growth slowed, and inflation swallowed wage increases. The term 'experiment' had a negative connotation in Lindbeck's book. However, as argued by Hayek (1960), experimentation may have several advantages—it can become a constructive and successful way of learning. If Lindbeck had tracked Sweden for another 5 or 10 years after 1995, the picture he painted would have become far brighter. An important explanation is Sweden's ability to learn and adapt by drawing lessons from its own experiments. There is no arguing that Sweden has made

significant policy mistakes, but it has also proven to be apt to learn from them and correct them (e.g., Bergh 2020; Jonung 1999).

The high pace of reform meant that when the global financial crisis hit in 2008, Sweden was in a far better position than before the crisis of the early 1990s. Nonetheless, there were a few warning signs. In the first edition of Bergh (2007) *The Capitalist Welfare State*, it was pointed out that the housing and labour markets had almost entirely escaped reform. In addition, the gap in unemployment between those born in Sweden and those born abroad was alarmingly large—and growing. Bergh (2007, 152) warned that 'exclusion continues, with an obvious risk of unfortunate social consequences such as crime, segregation, and perhaps even xenophobia'. The demographic structure of the 2010s appeared to be relatively favourable, but the balance between the number of people of working age and the number of older people, according to Statistics Sweden's population projections, was expected to be less favourable from around 2020 onwards. Therefore, the 2010s could be described as a golden opportunity to prepare Sweden for the demographically more challenging 2020s and 2030s.

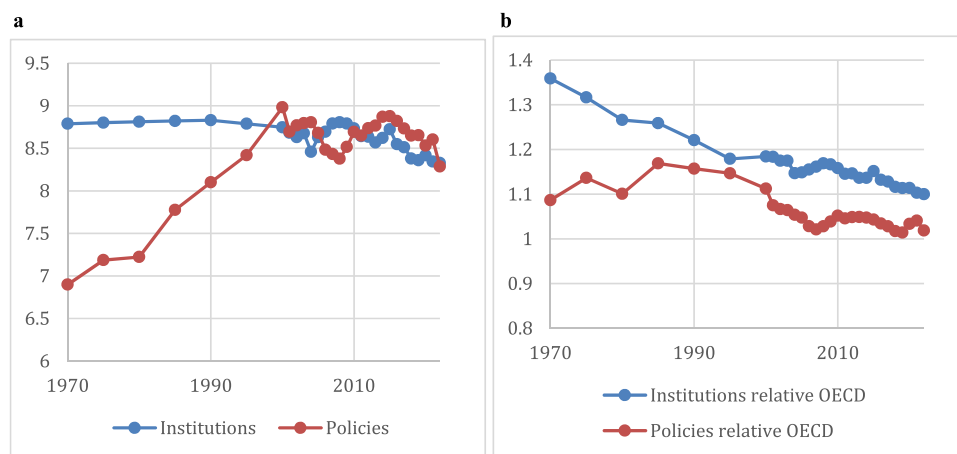
### 2.3 | 'Liberalization Without Retrenchment' to 'Retrenchment Without Liberalization'

But what happened after that? More than 15 years have passed since Bergh and Erlingsson (2009) was published. There are now roughly 20 years of additional data to be analysed. As shown in Figure 3, 'liberalisation without retrenchment' after 2000 was replaced by 'retrenchment without liberalisation'. Figure 4 provides a more detailed description of policies and institutions in Sweden. 'Institutions' refers to dimension two of the Economic Freedom Index, designed to quantify the quality of institutions (denoted 'Legal System & Property Rights').



**TABLE 2** | Books on the need for welfare state reforms published by influential Social Democrats in the 1990s (from Bergh 2022).

References	Translated title from Swedish	Main message
Klas Eklund (1993)	<i>How dangerous is the budget deficit?</i>	The budget deficit is dangerous and threatens the welfare state
Kjell-Olof Feldt (1991)	<i>All those days—In government 1982–1990</i>	Fiscal policy in the 1980s was too expansionary, and the Ministry of Finance needed more power
Kjell-Olof Feldt (1994)	<i>Save the welfare state</i>	Sweden's economic problems threaten the welfare state's future
Anders Isaksson (1992)	<i>When the money runs out—Welfare after the welfare state</i>	The 1990s crisis was not a temporary economic downturn but a crisis for the welfare state
Anders Isaksson (1994)	<i>Always more, never enough—The citizen, the state and the welfare state</i>	People are affected by economic incentives, and a weak incentive structure risks making the welfare state unsustainably expensive
Assar Lindbeck (1993)	<i>New conditions for economy and politics, SOU 1993:16</i>	The inquiry delivered 113 proposals to enhance macroeconomic stability, efficiency and growth
Göran Persson (1997)	<i>He who is in debt is not free—My story of how Sweden regained sound public finances</i>	Sweden's national debt was too high, but Persson brought it down

**FIGURE 4** | (a and b) Economic freedom in Sweden 1970–2020. *Note:* Institutions is area 2 of the Economic Freedom Index, Policies is the average of dimensions 3, 4 and 5 (see Table 1 for details). [Color figure can be viewed at [wileyonlinelibrary.com](https://onlinelibrary.wiley.com)]

While institutions are arguably critical to countries' economic development, they are also hard to quantify (Acemoglu and Robinson 2012; Rodrik 2007). The data used to quantify institutions are based on expert judgement and surveys, and institutions are more rigid than policies. Policies are the average of dimensions three ('Sound money'), four ('Freedom to trade internationally') and five ('Regulation'). Figure 4a shows the development for Sweden; Figure 4b shows the index values for Sweden relative to the OECD average. The graphs confirm that policies in Sweden became more market friendly in the 1970s and the 1980s compared to other OECD countries. Sweden held steady at a high level for institutions until 2000 (but institutions in other OECD countries improved). After 2008, the quality of institutions in Sweden has trended downwards. Though the trend is volatile, a downward trend is also visible for policies.<sup>1</sup>

Developments in recent years have been particularly interesting. In 2020 and 2021, economic freedom of policies in Sweden increased relative to other OECD countries. The reason is that

the Covid-19 pandemic in 2020 prompted policies that curtailed economic freedom in almost all countries. Regulation increased, and monetary policy became more expansionary and less predictable. Sweden followed the general pattern but took a comparatively cautious approach to restricting freedoms. Thus, in 2020, Sweden's decline in economic freedom relative to other countries is temporarily cushioned by Sweden's decision not to respond to the pandemic with as far-reaching regulations as other countries.

It bears noting that some of the decline in economic freedom is unintentional and reflects problematic trends from most normative perspectives. For example, Sweden's decline in institutional quality is primarily driven by a decline in the quality of the legal system, which, in turn, is associated with a general decline in trust in the ability of the police to maintain law and order and to enforce contracts. The data used in the index are from the World Economic Forum's Global Competitiveness Report, which is based on the perceptions of entrepreneurs and

businesspeople worldwide. Almost from any political viewpoint it is worrying that people increasingly feel that the Swedish police cannot be trusted to maintain law and order.

Table 3 verifies the above trends using other indicators as a robustness test. The problematic trend for the rule of law in Sweden is confirmed by Transparency International's Corruption Perceptions Index (CPI). In 2012, Transparency International revised the methodology for the CPI to enable comparisons of scores from 1 year to the next. On a scale from 0 to 100, Sweden fell from 89 in 2013 to 80 in 2024.<sup>2</sup> In fact, in just the past decade, there has been a growing consensus among academics and policy experts that corruption and so-called welfare crimes in Sweden have flown under the radar for a long time, have been underestimated, and most likely are a worsening malaise (e.g., Erlingsson and Kristinsson 2020; Gunnarsson 2023). Declining institutional quality during the past two decades is also indicated by the ICRG Indicator of Quality of Government, and all five democracy scores in the Varieties of democracy (V-dem) project. Alternative indicators for welfare state size include OECD Social Expenditure Data and the Comparative Welfare Entitlements Project, and a comparison of transfer generosity in Sweden relative to other OECD countries computed using the Social Policy Indicators Database (Nelson et al. 2020).

In sum, it is fair to say that after 2010, Sweden has been characterised by increasing corruption, falling economic freedom and a shrinking welfare state. Thus, it is motivated to ask: What happened to the high reform capacity and the successful capitalist welfare state? In the next section, we explore potential explanations. Sweden finds itself in the somewhat puzzling situation of economic freedom declining *despite* lower taxes and a less generous welfare state.

### 3 | Making Sense of the Shift: Explorative Reflections

In Bergh and Erlingsson (2009), we identified three essential conditions for Sweden's reform capacity. We argued that they had contributed to the high pace of reform up to the turn of the century. *First*, Sweden had long had an extensive and well-functioning system of governmental commissions of inquiries. *Second*, Swedish policy had long been based on a close association with leading Swedish social scientists, particularly in economics and political science. *Third*, Sweden had a cross-party agreement on large parts of the welfare state (including explicit and implicit consensus on several important reforms).

We will approach how Sweden's reform capacity has developed since Bergh and Erlingsson's (2009) data collection ended by first examining trends in the development of these three parameters and thereafter exploring changes in factors that can theoretically be assumed to have deteriorated Sweden's reform capacity.

#### 3.1 | Fewer Parliamentary Commissions of Inquiries—More Tweets

The system of government investigations in Sweden has been analysed several times, most recently by Dahlström et al. (2021).

The authors analyse 2087 commissions appointed between 1990 and 2016 and document a significant decrease in the inclusion of politicians and an increase in the presence of civil servants. Similarly, Dahlström and Holmgren (2023) document a decline in the frequency of parliamentary commission appointments. In the 1970s, about 120 parliamentarians per year were appointed to lead commissions, while the annual average was closer to 50 in the 2010s. Dahlström et al. (2021, 416) also note that governments have increased their commission control by issuing more directives. They conclude that 'commissions are no longer the arenas of compromise-seeking that they were for most of the 20th century'. When Erlingsson (2016) reviewed the literature on the frequent criticism of the decline of the commissions of inquiries, the concluding summary was discouraging:

*A bird's-eye view of my review and the debate on the committee system over the past twenty years leaves an unsatisfactory feeling. Suppose one accepts that high-quality commissions of inquiries are a prerequisite for well-considered and well-calibrated decisions. In that case, the following applies: deficiencies in the basis for decision-making have negative repercussions for legislation, resource management, and democracy.*

(our translation)

A likely consequence of the changes in the Swedish committee system is that political conflicts will emerge later in the political process, for example, in connection with referrals and parliamentary debates. At this late stage, political positions have become more fixed, and the conditions for an open, explorative search for pragmatic consensus solutions are less favourable. Factual analysis has a more challenging time competing with attention-grabbing and symbolic political statements, which weakens the capacity for reform.

Another difference between politics today and when Sweden's reform capacity probably was at its peak is the changing media landscape brought about by the Internet and social media. The ability of politicians to score short-term points that appeal to their members has undoubtedly increased with new communication technologies. A study by Larsson and Kalsnes (2014) on the use of Twitter and Facebook by Swedish and Norwegian parliamentarians revealed an interesting pattern: social media are used more by political 'outsiders', that is, younger politicians, in the opposition and out of the political limelight. Thus, politicians outside the most influential elite can use social media to build their support base through direct contact with voters, other opinion leaders and journalists. This development has made it easier to mobilise opposition to reform processes driven by small groups of influential decision-makers—incidentally, a common pragmatic working method for reaching agreement on difficult reforms across party lines.

The changing nature of the investigative system and the increasing use of social media in politics and public debate have made it harder to engage in confidential and unbiased political dialogue. Against this background, Ruin (1997) words, now more than 25 years old, are still relevant when he called for restoring the governmental committee system to calm today's

**TABLE 3** | Alternative indicators of welfare state size and institutional quality in Sweden.

	1990	2000	2010	2020	2023
<i>Welfare state size</i>					
Taxes/GDP	49.8	48.6	42.9	42.4	41.4 (preliminary)
SOCX	26.9	26.4	25.8	25.9	23.7 (2022)
CWED	47	41	37	36 (2018)	n.a.
SPIN (relative OECD-average)	1.75	1.50	1.26	1.21	n.a.
<i>Institutions</i>					
ICRG	1	1	0.94	0.94	0.92 (2022)
EFW2	8.83	8.75	8.73	8.42	8.33 (2022)
CPI-score	n.a.	n.a.	88 (2012)	85	80 (2024)
V-dem	0.85	0.85	0.85	0.82	0.79

Note: Taxes/GDP is total tax revenue divided by GDP (Source: OECD). SOCX is public social spending, percent of GDP (Source: OECD). The ICRG Indicator of Quality of Government is a mean value of the variables Corruption, Law and Order and Bureaucracy Quality from the International Country Risk Guide (see further [https://datafinder.qog.gu.se/variable/icrg\\_qog](https://datafinder.qog.gu.se/variable/icrg_qog)). Because Social Expenditure is affected by demographic changes, the table also includes a rule-based measure of welfare state generosity, taken from the Comparative Welfare Entitlements Project (CWED) by Scruggs and Ramalho Tafoya (2022). SPIN compares the generosity of transfers in Sweden to the generosity of corresponding transfers in other OECD countries (Source: Authors calculations based on the Social Policy Indicators Database, see Nelson et al. 2020). EFW2 is the second area of the Economic freedom index (by the Fraser Institute, and the CPI-score (corruption perception index) is from Transparency International. V-dem (Varieties of democracy, available at <https://v-dem.net/>) is the average of deliberative, egalitarian, electoral, liberal and participatory democracy index (the decline occurs in all indexes at least since 2014).

exaggerated tone, polarisation and jerkiness in Swedish political debate.

### 3.2 | Deteriorating Relations Between Politics and Social Sciences?

Another consequence of the changes in the Swedish system of government commissions of inquiries is that the importance of a natural interface between politicians and academics has been reduced. However, there are also trends within academia that may have reduced the willingness of researchers to participate in the reform process. Economists, in particular, participated extensively in the debate on Swedish economic policy in the 1980s and during the crisis of the 1990s. The participation of economists in the public debate was so intense that it gave rise to its meta-debate on the subject's influence on policy—see, for example, Jonung (1996). By their roots in politics and academia, people like Assar Lindbeck and Klas Eklund were able to build a bridge between academic research and policy practice, and this bridge is one of the explanations for Sweden's pace of reform that we identified in Bergh and Erlingsson (2009).<sup>3</sup>

Since then, however, the discipline of Economics has changed profoundly. Perhaps most prominently, it has become less national. Henrekson and Hultkrantz (2024) provides a nuanced discussion and concludes that there are obvious benefits from a scientific point of view associated with the internationalisation of economics in Sweden and the focus on causal identification (the so-called credibility revolution, see Angrist and Pischke 2010). There are, however, also adverse side effects. Postgraduate education in economics is now conducted almost exclusively in English, as is master's and much of bachelor's education. Both admission to doctoral programs and the job market after graduation are now largely international.

This trend has meant fewer incentives for social scientists to focus on what interests the outside world. Swedish academics have become increasingly preoccupied with things other than participating in the debate about Swedish politics and economics. Another effect is that Swedish students have weaker knowledge of Swedish institutions, history and conditions for politics and economics. The fact that Economics at Swedish universities is now typically taught in English probably also means that students learn less economics: Many findings have demonstrated that when students are being taught a topic in English rather than their mother tongue, their English skills will benefit, but the topic taught will suffer (Marsh and Frigols 2009; Airey and Linder 2006; Forslund and Henrekson 2022; Håkansson and Svensson 2024).

The incentives for Swedish researchers to discuss economics and politics in the public debate, to participate in commissions of inquiries and to get involved in politics, in general, are thus now low, both financially and in terms of the value of their careers. As noted by Henrekson and Hultkrantz (2024), Economics in Sweden nowadays, compared to the 1990s and earlier, features an abundance of research typically labelled 'applied micro', that is, causal evaluation using micro-data, whereas fields such as macro-economics and public economics are smaller than they once were.

We agree with Henrekson and Hultkrantz (2024) that negative side effects are associated with a strong emphasis on causal identification and emphasizing internal over external validity (Findley et al. 2021). While reform evaluation ex-post is useful and interesting, it also means that economic research is retrospective: researchers evaluate the effects of already implemented reforms. This is in stark contrast to economists of the past, who did not hesitate to make recommendations for future policy based on a wide range of different types of evidence and sometimes on a purely theoretical basis. Similar changes have taken place within Political Science (Findley et al. 2021; see also Rothstein 2005). The change can be understood as a shift in intra-scientific norms



towards internationalisation, intra-scientific problems and an increased focus on scientific publications in prestigious journals.

### 3.3 | Increased Party System Fragmentation and the Death of Bloc Politics

Bergh and Erlingsson (2009) was written when bloc politics in Sweden looked like it had for most of the post-war period. During the post-war period, Sweden had a stable five-party system with the Left Party, the Social Democrats, the agrarian Centre Party, the Liberals and the Conservatives. The success of Sweden Democrats (*Sverigedemokraterna*, the right-wing populist party) in the 2010 elections gave the party representation in the *Riksdag* for the first time. As a result, the ruling centre-right coalition led by Fredrik Reinfeldt lost its majority despite Reinfeldt's party, *Moderaterna*, slightly increasing its electoral support in 2010. Lindvall et al. (2020) show that since 2010, Sweden has had one of the most fragmented party systems in Western Europe, as the Green Party and the Christian Democrats have also become represented in the *Riksdag*.

The steady rise of the Sweden Democrats in parliamentary elections since then has redrawn the political landscape in a way that renders the concept of cross-bloc unity essentially meaningless. For example, when the Social Democrats and the liberal party (at the time called *Folkpartiet Liberalerna*) agreed on the 1990 tax reform, these two parties together had a majority in the *Riksdag*. If the Social Democrats could agree with just one of the centre-right parties, that was enough to ensure political change and stability. After 2010, the parliament became increasingly fragmented, and the possibility of forming viable majorities diminished considerably.

As suggested by Sartori (1976), a more fragmented party system is likely to hamper reform capacity. The more parties there are, the more difficult it becomes to form stable and viable governing majorities. This is because multiple parties often lead to coalition governments, which are inherently more unstable due to the need for constant negotiation and compromise between different political groups. Sartori pointed out that the more parties involved, the more complex and unstable the coalition becomes. This complexity can lead to political paralysis and an inability to implement coherent policy agendas (cf. Di Comite and Lambert 2020). Fragmentation of the party system typically also comes with polarisation, where parties are numerous and ideologically distant. This ideological distance makes it more difficult to find common ground, further complicating coalition building and making it more challenging to maintain a cohesive government.

### 3.4 | Decline of Corporatism—The Rise of Lobbying

Corporatism is the idea that policy should be shaped through negotiations between the main interest groups concerned. For a long time, corporatism was a prominent feature of 'policy-making. Swedish style'. During the 20th century, organised interest groups participated in and influenced almost every stage of the policy process, from agenda setting to

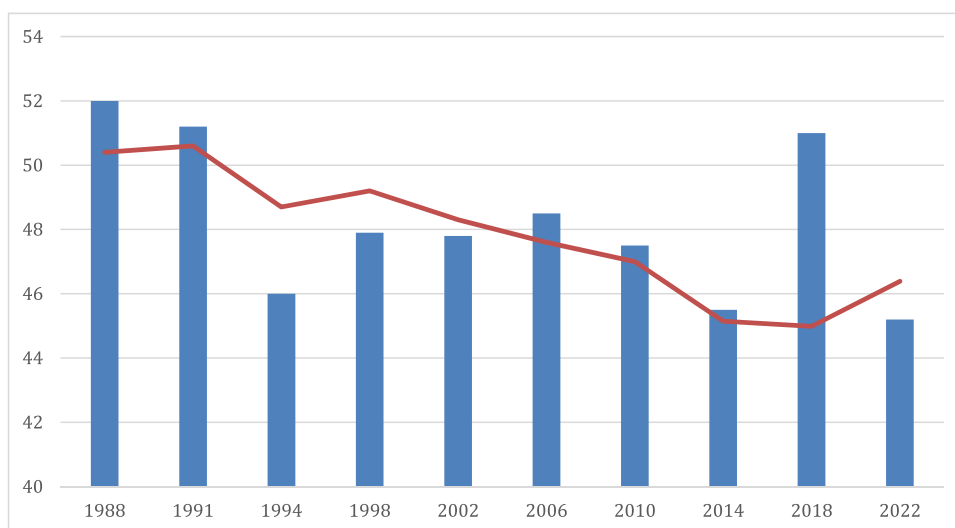
implementation (Öberg 2016). The corporatist structure was essential for creating a culture of consensus and pragmatism, contributing to stability and continuity in Swedish politics. By including interest groups in decision-making processes, reforms gained broader support and could be implemented more effectively (e.g., Rothstein 2011).

There has been a gradual decline in corporatism and a rise in lobbying in all Scandinavian countries (e.g., Hermansson et al. 1999; Christiansen and Rommetvedt 1999). When the Swedish employer's organisation (SAF), in the early 1990s, unilaterally left all boards and committees they were represented in, it was described as the end of the Swedish model. Over time, face-to-face meetings intended to solve common problems have increasingly been replaced by professional lobbying (cf. Ihlen et al. 2021). While lobbying may lead to reforms, proponents of corporatism have argued that corporatism promotes pragmatism and consensus-seeking for the common good (e.g., Elvander 1974; Rothstein 2011). Lobbying, however, tends to promote special interests at the expense of the common good. A system permeated by lobbyists may thus promote short-term gains for their clients at the expense of reforms that might lead to long-term social welfare (e.g., Baumgartner et al. 2009).

### 3.5 | A Shifting Influence From EU and the OECD?

In the 1980s and the 1990s, policy recommendations from organisations such as the OECD played a vital role in the debate on welfare state reform. In a mixed-methods study of OECD policy recommendations, Bergh et al. (2017) showed that Sweden was one of the countries that lowered its perceived reform need the most and that the policy advice given consistently favoured work incentives, competition, and pro-market policies. As the authors described, it was a 'Washington Consensus' for welfare states.

After Sweden joined the European Union in 1995, the EU's political influence in Sweden has arguably increased significantly. While the EU was initially established to create and promote a single market with open competition, recent trends suggest a more nuanced and sometimes restrictive approach to competition and market mechanisms through various legislative measures. There has been a shift towards more lenient state aid rules, especially in strategic industries such as technology, green energy and digital markets. The EU has also increasingly emphasised an industrial policy supporting key sectors' development. This includes initiatives to promote European champions—large, competitive companies that can compete globally—sometimes at the expense of strong competition principles (Portuese 2022; Criscuolo et al. 2022a,b). Also, the Digital Markets Act (DMA) aims to regulate large digital platforms (gatekeepers) to ensure 'fair' competition. While it targets anti-competitive practices, it also imposes significant obligations on large companies, potentially restricting their competitive behaviour. It may negatively impact small- and medium-sized enterprises (e.g., Wernberg 2021). Moreover, the EU's goals of harmonisation and competition have, in practice, been undermined by the EU's procurement directives (e.g., Loxbo and Pircher 2024).



**FIGURE 5** | Parliament (curve) and government (bars) are getting younger (average age of newly elected/newly appointed). *Note:* The average age of the Riksdag applies to the newly elected Riksdag. The Government's average age at entry into office is based on news articles in the daily press and the magazine *Senioren*. Richard Öhrvall was kind enough to share this data. [Color figure can be viewed at [wileyonlinelibrary.com](https://onlinelibrary.wiley.com/doi/10.1111/1467-9477.70000)]

Generally, the European Green Deal and the Digital Strategy are two major policy frameworks prioritising sustainability and technological leadership. These frameworks involve significant regulatory measures and subsidies that can restrict competition by favouring specific industries and technologies. While the EU continues to value and promote competition, its approach has evolved to incorporate broader objectives such as sustainability, technological leadership and strategic autonomy. So, given that Sweden, shortly after its EU membership, became one of the EU countries with the highest compliance when it comes to meticulously incorporating EU regulation (Tallberg 1999), the EU membership and the EU's recent regulatory turn is a potential explanation of Sweden's stagnating reform pace.

### 3.6 | Ever Younger Parliamentarians

Theoretically, there is reason to believe that the experience of politicians plays a role in a country's ability to reform. Experience shapes perceptions of reality. The memory of previous crises affects the ability to reform since reforms are often introduced and justified by the need to avoid repeating historical mistakes, something that the Swedish economist Lars Jonung (1999) aptly captured in the expression to use 'the rear-view mirror as a compass'. For example, the fact that politicians had experienced and remembered the consequences of high marginal taxes on labour made the 1990 tax reform easier.

People accumulate experience over time. Almost by definition, older politicians have more experience, and recent research has indicated that accumulated experience and emotional processing changes tend to improve older individuals' decision capabilities (e.g., Bjälkebring and Peters 2020). Moreover, there seems to be empirical evidence that older politicians and politicians with business experience are more likely to implement reforms.<sup>4</sup> Against this backdrop, it is worth noting that Swedish politicians are, on average, getting younger, both in parliament and government. Some research indicates that younger

politicians demonstrate stronger career concerns, behaving more strategically in response to election incentives (Alesina et al. 2019)—by implication, perhaps at the expense of long-term considerations for the common good. As shown in Figure 5, the average age in the *Riksdag* and the government during the reform-intensive term of 1988–1994 was over 50.

## 4 | Conclusion

In this rejoinder to our article Bergh and Erlingsson (2009), we have documented a shift from 'liberalisation without retrenchment' to 'retrenchment without liberalisation' after the turn of the millennium. We set out to explore possible explanations and concluded that there are several strong candidates:

1. Changes in the system of government commissions
2. The effect of social media (which may have contributed to a somewhat more confrontational and unforgiving tone in the political debate)
3. Deteriorating relations between politics and the social sciences
4. Increased political fragmentation and the death of bloc politics
5. The decline of corporatism and the rise of lobbying
6. A change in the policies promoted by the European Union and the OECD and Sweden's tendency to implement EU regulations meticulously
7. A falling average age of politicians in parliament and government.

Our list of plausible explanations is tentative, and it is not exhaustive. At least two alternative explanations demand closer inspection. First, voters (or parties or elected representatives) may have shifted towards preferring lower economic freedom and a less generous welfare state. While this is possible, we

consider it unlikely for three reasons. First, we have shown that an important part of Sweden's recent decrease in economic freedom comes from deteriorating institutional quality, specifically, perceived problems upholding law and order and signs that corruption is increasing. It is highly improbable that political preferences have shifted in this direction. Second, public support for the welfare state has remained remarkably stable (Goossen 2021; Svallfors 2011). A substantial part of the decline in welfare state generosity is a result of transfers being indexed by the price level rather than using real incomes. Low inflation (before the energy price shock in 2022–2023) has led to several transfers becoming less generous due to political inaction (Bergh and Kruse 2022). Third, the SOM Institute has been asking a survey question capturing attitudes toward the proposal to shrink the public sector annually since 1986. Since 1992, there has been a large and stable majority against shrinking the public sector among Swedes (SOM 2024).

Another alternative explanation is the so-called 'crisis explanation' of reforms (e.g., Pitlik and Wirth 2003; Haggard and Kaufman 1995; Drazen and Grilli 1993). Significant economic problems in Sweden during the 1970s and early 1990s made unpopular political reforms possible. However, as we discussed in Bergh and Erlingsson (2009), many reforms that superficially appeared to have been triggered by the crisis of the early 1990s had been initiated and prepared far earlier, partly due to experienced and pragmatic politicians and several key commissions of inquiries. Nevertheless, the absence of crises may have impacted today's situation: Sweden experienced 25 years of strong economic performance after the crisis of the 1990s. Indeed, a crisis can help reform, but sustained strong economic performance may breed complacency, where growth, low inflation and competitiveness are taken for granted. Sweden's superior resilience during the 2008–2010 financial crisis compared to other countries is undoubtedly relevant here. Sweden's experience demonstrates that a strong economic performance does not necessarily guarantee a favourable political environment for implementing difficult reforms.

Sweden must decide whether to continue its current path—or consciously work on returning to pragmatism, a consensual tone in political dialogue and towards constructive reform. The period of strong economic performance seems to be over, but to some extent external factors such as Russia's war in Ukraine, high energy prices and rising protectionism can be blamed for this. While previous crises in Sweden have often forced political pragmatism and increased the likelihood of agreement on urgent reforms, it is unclear whether that pattern remains.

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### Conflicts of Interest

The authors declare no conflicts of interest.

### Endnotes

<sup>1</sup> Closer inspection of the separate dimensions reveals that the decrease comes from increased regulatory burden and less stable monetary policy, while freedom to trade internationally remains high.

<sup>2</sup> <http://www.transparency.org/en/cpi/2023/index/swe>.

<sup>3</sup> Assar Lindbeck was a professor of economics and was considered one of the Social Democrats' foremost economic thinkers, at least until he left the party in protest against the wage earner funds in 1982. Klas Eklund is a graduate of the Stockholm School of Economics and has been an expert at the Ministry of Finance and in the Prime Minister's Office 1984–1987, and secretary of the Social Democrats' 1990s group 1988–1989.

<sup>4</sup> Dreher et al. (2009), Kodila-Tedika and Kabange (2016). To our knowledge, there is unfortunately no systematic and up-to-date study of how the proportion of ministers and members of parliament with an entrepreneurial background has developed over time in Sweden.

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