

Chapter Seven¹

The Swedish Model as Programmed for Failure

Chapter Overview

1. Introduction
2. Social Structure Revisited
3. The Swedish Model
4. Bounded Social Democracy
5. Achieving Growth as a Constraint
6. Some Swedish Model Achievements
7. The Government as Employer of Last Resort
8. The Decline of the Swedish Model
9. Assar Lindbeck's Critique of the Swedish Welfare State
10. Conclusions: Some Challenges for Unbounded Organization in the Light of the Decline of the Swedish Model
11. Green New Deals
12. Introducing a Community Approach in the Swedish Model Context
13. Toward Making Growth (i.e. Finance) and Globalisation Governable
14. More on Governability in the Financial Services Sector

1. Introduction

As a first approximation, the main causes of the failure of the 'Swedish Model' (soon to be more precisely defined) can be said to be three:

1. Capital flight (or, more broadly, what Bowles and Gintis call 'the exit power of capital')²
2. Insufficient demand for Swedish exports. The model, and then its successive reformulations, could work when demand was abnormally high during the immediate aftermath of World War II and during the reconstruction of Europe with aid from the American Marshall Plan. It could not work when more normal times returned.
3. Unbearably high public expenses, leading to unsustainable programmes, unpopular taxes and the threat of unpayable debt.³

¹ Our thanks to Dean Björn Åstrand of Karlstad University in Sweden for his helpful comments

² Samuel Bowles and Herbert Gintis, *Democracy and Capitalism*. New York: Basic Books, 1986.

³ The model lost legitimacy as predicted by Habermas in 1973 in *The Legitimation Crisis*, in large part because the expenses of the state exceeded the fiscal resources it could claim in a modern world-system

Continuing the argument of the previous chapters, this chapter will argue that the basic social structure of modernity (of which the three causes articulated in this first approximation can be seen as consequences) made failure virtually inevitable. Amid a welter of *ceteris* in varying degrees of *paribus*, the causal powers of SF1,⁴ SF2,⁵ and other aspects of the basic social structure gradually imposed their verdict: the Swedish Model was not sustainable and had to be abandoned.

Momentous consequences follow:

1. The Swedish Model was from its beginning programmed for failure.
2. The failures of relevantly similar efforts to create social democracy, including the failures of post-1994 efforts to implement the Freedom Charter and the failures of efforts to implement the social rights promised by the new Constitution of South Africa, were also inevitable (or ‘virtually inevitable’ if one considers the possibilities that there might have been either: (1) an endless sequence of unusual circumstances, a permanent *ceteris non paribus*; or (2) appropriate modifications of the basic social structure clearing the way to get past obstacles the Swedes could not get past.).⁶
3. The worldwide declining trend of welfare states and social democracies – sometimes more orderly, sometimes more abrupt—can be expected to continue.⁷
4. New progressive proposals, such as the Green New Deals now (2019) proposed in the USA and Europe, insofar as they challenge the same structures in the same ways, are unlikely to succeed.

defined by limited governments committed in crucial ways to respecting private law. This led to a combination of unfulfilled social promises, high taxes, and debt.

⁴ Staggering Fact 1, it will be remembered, is a chronic insufficiency of effective demand; it is a consequence of the basic social structure.

⁵ Staggering Fact 2, it will be remembered, is a chronic insufficiency of the inducement to invest (cf. GT p.304). It also refers to the extreme physical dependence of human life on investment at this point in history; and to the sacrifices that must be made to (try to) get enough investment.

⁶ See Chapter Ten, Power and Principle in South Africa, in Howard Richards and Joanna Swanger, *The Dilemmas of Social Democracies*. Lanham MD: Rowman and Littlefield, 2006.

⁷ Thomas Piketty, in *Capital in the Twentieth Century*, previously cited, p. 476 et seq points out that in 1980-1920 in the wealthy countries both taxes and social spending stabilized. They did not decline. However, he acknowledges that benefits declined. Roughly equal total social spending was produced by: a larger sector of the population in need, multiplied by smaller average benefits per person, yielding roughly equal total welfare spending.

As Piketty notes, there is a strong possibility (confirmed in the USA since his book was published) that rising taxes followed by stable taxes will be followed by lower taxes and further welfare cuts.

5. South Africa's Community Work Programme is among the working models in the world today that demonstrate the feasibility of structural changes that are needed.

This chapter will proceed as follows. First (and after a break again later) it will revisit the concepts of social structure and basic social structure. We are on the brink of attributing to social structure the frustration of the well-considered plans of a particular country, its government, its labour unions and to a lesser extent many of its other individuals and institutions; as well as frustrations of the plans of other countries that the frustration of Sweden illustrates. It is only fitting that first we should say more about what a social structure is.

Then there will follow a fairly detailed history of the Swedish Model. Our historical account should reveal (to those who have eyes to see it) how '.... amid a welter of *ceteris* in varying degrees of *paribus*, the causal powers ... of the basic social structure gradually imposed their verdict.' The *dénouement* of the Swedish Model will strengthen our conclusion that the root problems are structural and require structural solutions.

We will then briefly mention similar issues in connection with some proposals known at the moment of writing as Green New Deals.

We will end the chapter on a positive note. Starting with the CWP, we will give examples of what are (according to us) steps that can be taken to transform the basic social structure, and thus to remove structural obstacles to needed changes. The list of needed changes that would be made possible (or at least impossible for fewer reasons) by such a removal of structural obstacles, includes many changes the Swedes after World War II did not attempt. But we need to attempt them now --like massive reforestation to refresh the lungs of the world, and massive dignification of more people redundant in the labour market than the Swedes in the 1950s imagined possible. The examples, as is the case with CWP, will be examples of changes already underway. We applaud.

2. **Social Structure Revisited**

The underlying message we seek to communicate might be called 'organize to cooperate for the common good.' We add ourselves for this purpose to the list of scholars who assign much work to the word 'structure.' Indeed, we expect these nine humble letters to illuminate the path to solving humanity's most serious problems. But we are aware that other people might use better vocabularies to propose better solutions, or complementary solutions that could work alongside our unbounded realist approach. They might use the

word 'structure' little or not at all. Conceptual tools, like those we propose, like any tools, are justified, if at all, by their uses. We are convinced, however that what we are trying to talk intelligently about is very real; it condemns some people to penury, it provokes violence, it disturbs the delicate equilibria of nature, it provides some people with comfortable and successful professional careers.... Although it is not easy to decide how to talk about social reality in the age of the Anthropocene, the Data byte and the Global Economy; every human must somehow cope with social reality from the beginning to the end of the day, and on into the night in dreams and nightmares.

Earlier discussions of the idea of 'social structure' have paid particular attention to today's 'basic' structure. They have mentioned differing perspectives on what it *is*. For Joseph Schumpeter it is the institutional frame of economic analysis. For Adam Smith it is natural liberty, or sometimes 'a tolerable administration of justice.' For Friedrich von Hayek it is the moral framework of an extended order. For Sir Henry Maine it is famously 'contract,' but if you read his text you will find that property gets billing almost equal to that of contract. For Karl Renner and Jurgen Habermas it is private law. For Rosa Luxemburg it is accumulation. For Liliane Forester it is horror. For Milton Friedman it is the freedom of the individual person. For Kant in his *Rechtslehre*, the legal structure of society was still in the 18th century expressed the Roman Law maxims of Ulpian, later incorporated into the *Institutes* of Justinian. But Kant added something: the main principles of jurisprudence, and those of ethics too, could all be deduced from one premise, *Freiheit*, together with some rules requiring rational consistency. Max Weber writes in *Economy and Society* that had it not been for the reception of Roman Law in modern western Europe, augmented by accretions from other sources, neither capitalism nor bureaucracy would have been possible because the consequences of decisions would not have been *kalkulierbar*. William H. Sewell Jr. insists that social relations are profoundly governed by underlying social and cultural structures and that a proper understanding of the role of events in history must be founded on a concept of structure. Like many others, he offers the French Revolution as an example of structural change, as Antonio Gramsci had offered the Protestant Reformation as an example of moral and intellectual reform.⁸ For Louis Dumont the social structure of modernity is individualism. For Charles Taylor it is bargaining. For Liliane Forester it is horror. For Nancy Hartsock and Maria

⁸ William H. Sewell, Jr. A Theory of Structure: Duality, Agency, Transformation. *American Journal of Sociology*. Vol. 98 (1992) pp. 1-29.

Mies capitalism and patriarchy are so closely historically and currently intertwined that they form a single structure. And so on.

Among the conclusions concerning what social structure *is* that we have drawn in past chapters are: One: many write about social structure without using the phrase ‘social structure.’ (Marx and Weber, for example write about *Verhältnisse*.) Two: many different views can simultaneously be true. They provide complementary insights on what Roy Bhaskar would call an intransitive object of social science; as Mendel’s genetic theory provided insights complementary to Darwin’s theory of evolution regarding intransitive objects of natural science. Ontologically, the intransitive object (here, the social structure) retains its identity and its causal powers, while people describe it in different ways. Three: some descriptions add to others by providing insights into aspects of the basic social structure of the modern world that those others leave relatively in the dark.

So much for the question what the basic, or dominant, structure, *is*. Now a somewhat different question: What *kind of thing* is a basic social structure? Of what genus is such an entity a species? Answering this question will provide an opportunity to introduce some of Roy Bhaskar’s terminology. Readers uninterested in ontology are advised to skip ahead a few pages to the beginning of **3. The Swedish Model**.

First, I will answer the question *What kind of thing is a basic social structure?* in impenetrable jargon. Then I will parse each term of the jargon. (I will not answer, but will leave to intuition, the question what differentiates a basic social structure from other species of the same genus.)

A basic social structure is a kind of thing that is made of EXISTENTIALLY INTRANSITIVE GENERATIVE MECHANISMS.

EXISTENTIALLY. here means different from naturally but also solidly-- also

imperative.⁹ For example, in Sen’s studies of famines in no case was there a physical shortage of food. The poor died because it was existentially --as a matter of fact-- impossible to obtain food. The social structure prescribed exchange of goods by contract of sale. The norm was that a willing buyer and a willing seller exchange merchandise, in this case food for money. In one of the famines Sen studied, because floods destroyed the rice seedlings there was no work for the poor

⁹ PON, p. 47

transplanting them; hence they had no wages and no money to buy food. The institutions that produced this result took several hundred years to evolve. Once they had evolved, they were existentially similar to physical reality.

INTRANSITIVE. Bhaskar, as a realist, denies philosophies like those of David Hume and Edmund Husserl where the object of scientific study is defined by human experience or human consciousness.¹⁰ The object of scientific study, in this case the social structure, may not be easily understood. It may not be understandable at all unless and until there is some ingenious methodological breakthrough. In the social sciences Bhaskar was most impressed by the achievements of Karl Marx, although he did not consider them definitive. The causal powers of an intransitive object are not diminished by its not being understood.

GENERATIVE. Social forms (social structures) generate, i.e. they produce, some results and not others.¹¹ *They are not patterns in data; they are generators of consequences.* It is important to consider that human reasons, motives, rules, understandings, and so on, are causes just as much as the generative mechanisms studied by chemists are causes.¹² Social structures precede human actions and make them possible. *They limit possibilities.* For example, you cannot be a banker where there are no banks, or a public banker where all banking has been privatized.

MECHANISMS. The point of this word is not to say that human relationships are or should be mechanical. It is to identify causality with generative mechanisms that produce effects, not with dependent variables of mathematical models made up of functions, or with statistically significant variables. Social structures are causes that, when activated, generate their characteristic results *cet. par.* That is to say, their characteristic results are generated if other causal powers do not overpower them and produce a different result.¹³

¹⁰ Roy Bhaskar, *Reclaiming Reality*. London : Routledge, 1989, p. 30.

¹¹ PON p. 25 et Seq

¹² PON p. 80 et Seq. Regarding chemistry and other natural sciences see the works of Bhaskar's Oxford tutor Rom Harré.

¹³ Roy Bhaskar, *A Realist Theory of Science*. London: Routledge, 2008. See the Introduction by Bhaskar, pp. 1-10.

Let this be an account of the general kind of thing a social structure is. Now let us take a break from the philosophy of science and begin the history of the Swedish Model.

3. The Swedish Model

The Swedish Model worked pretty reliably for the poor for about thirty years (1945-1975).¹⁴ To some extent the economy of Sweden today still works for the poor. The gradual decline of the Swedish welfare state is an ongoing process with no end in sight.¹⁵ But our topic is not Sweden today. It is the Sweden that at one period of history ended poverty. It appeared to many to have discovered how to end poverty. It appeared to show that social democracy worked. It appeared to show that the union members and voters in other democratic countries could follow suit. They too could achieve economic justice by organizing strong unions and voting for socialists. Two of the key designers of the model, Dag Hammarskjöld and Gunnar Myrdal, became global civil servants who expected - and were expected by others - to be able to show the rest of the world how to achieve what Sweden had achieved.

In a wide sense the Swedish Model was Keynesian.¹⁶ In a less wide sense, the Swedish macroeconomic model counted among its architects Hammarskjöld and Myrdal. In a narrow sense the Swedish Model was the [Rehn/Meidner Model](#) developed by two economists of the largest Swedish labour confederation (known as the LO) Gosta Rehn and Rudolf Meidner. Later a modified form of it was called the EFO model.¹⁷

¹⁴ See the more complete account given in chapters five through eight of DSD.

¹⁵ Jeffrey Winters provides an insightful analysis of the ongoing process of worldwide decline of welfare states with his concept of 'Locational Revolution.' Today nation-states do not govern capital as much as they attempt to attract capital to their shores and away from the shores of other nation-states. Capital chooses where it wants to go and it chooses *ceteris paribus* those locations where wages and taxes are lowest while profits are highest. This 'Locational Revolution' is still in its beginnings, and as its effects continue to take hold, it will continue to erode welfare states and to exacerbate inequality around the world. Jeffrey Winters, *Power in Motion: Capital Mobility and the Indonesian State*. Ithaca: Cornell University Press, 1996.

¹⁶ Some of its main principles are known worldwide as characteristic of the thinking of John Maynard Keynes, although the Swedes arrived at them to a large extent on their own in the thinking of Swedish economists like Hammarskjöld, Myrdal, Alf Johansson, and others. See Bo Sandelin (Ed), *The History of Swedish Economic Thought*. London: Routledge, 1991.

¹⁷ As the Swedish Model waned it tended to assume a modified form that we will not explicitly discuss here known as EFO after the first letters of its authors' last names.

We interpret the Swedish Model as a model that was inevitably doomed to failure.¹⁸ It could only work temporarily under unusual circumstances. Ours will be a cautionary tale addressed to those who do not remember that the neoliberal capitalist revolution was made possible by the failure of ‘Keynesian’ social democracy and who now that neoliberalism has also failed, rush to advocate repeating the same policies that failed the day-before-yesterday. (Keynes’ diagnosis is still indispensable reading, but so-called Keynesian¹⁹ remedies, while they may sometimes ameliorate, do not cure).

This chapter will be an educational tale teaching a way out of poverty and into governability that will be more viable than the post-World War II Swedish way, because it will be unbounded. An employment guarantee was an integral part of the Swedish Model at its high tide. The government became the employer of last resort. Government wages established a floor - and indeed a high floor, not a low floor as in NREGA - assuring that there could be no low wages in Sweden (except in the exploitation of illegal immigrants).

Our fundamental interest in this chapter is not whether a decent livelihood for all is best pursued by an employment guarantee, or as in the case of the *bolsa familia* of Brazil, by direct grants to needy families; or, as in the case of Argentina, by subsidizing private employers to hire the unemployed at minimum wage; or, as in Ethiopia, by providing workfare for those who can work and welfare for those who cannot; or by Grameen-style micro-enterprises²⁰; or by urban agriculture discretely subsidized behind-the-scenes by state and NGO training and infrastructure support; or by paying people to study and upgrade their skills; or in some other way.

Given an affirmative answer to the question whether a society can and will devote resources to creating decent livelihoods for the poor one way or another, when it comes to the subsequent question how best to deploy those resources, we have been showering flowers on the CWP community development approach, and we will shower more flowers on more transformational initiatives at the end of this chapter. But the number one issue in Sweden was not that the government decided to abandon being the employer of last resort in order to devote the same resources to alleviating economic distress in some other

¹⁸ We mean this for any of the senses just discussed. Although we will not discuss generically Keynesian solutions to the problems of capitalism here, they are discussed in DSD.

¹⁹ Not to be confused with Keynes’ own nuanced views, and not to be confused with ‘Post-Keynesian.’ Steve Keen and Hyman Minsky are two authors who give details on how Keynes’ views were distorted by many of the theories and policies that later became known as ‘Keynesian.’

²⁰For an argument against Grameen-style micro-enterprises see Milford Bateman, *Why Doesn’t Microfinance Work?* London: Zed Books, 2010.

way. It was a general rollback of the welfare state. Resources for social programmes shrank. They continue to shrink. We will lament the fate of Sweden's employment guarantee in a macroeconomic meltdown that melted not only public employment but also *égalité* and *fraternité* in general.

4. **Bounded Social Democracy**

We have been suggesting that given the constitutive rules of a mercantile society outlined in chapter two, as their application evolves over time, two game-changing facts almost inevitably appear. We call them 'Staggering Facts.'

The first **SF 1** is that to the extent that pure capitalism reigns, nothing moves without an expectation that a profit will be made by moving it. The second **SF 2** is that the economic supplies of willing and able buyers normally lag behind the societal demands of hard-pressed and needy sellers. The latter are more numerous because so *many people are compelled* to sell something to make a living. The former are less numerous because *nobody is compelled* to buy more than she or he *wants to buy*, and because people *cannot* buy even what they *want to buy*, if they are short of money. (Keynes analyses these as the subjective and objective determinants of the propensity to consume, respectively.) The Swedes faced **SF 1** and **SF 2** like everyone else.

Also, like everyone else, Sweden had to stimulate growth. Macroeconomics taught (correctly) that growth was a condition of the stability of capitalism.²¹ We go a step farther: It is a consequence of the social structure. Given that people have no customary duty, as in a traditional clan, to hunt and gather or in general to do something productive for the kinship group; given that the *causa causans* of production is investing money for the sake of more money, given non-zero liquidity preferences, no-growth is not an option. It will not be an option until there is a different social structure, one compatible with ecological stability.²² Today only if more is constantly followed by more

²¹ For example, Paul Samuelson (1947) writing in a Keynesian tradition postulates in his *Foundations of Economic Analysis* that the stability of capitalism requires that $Y = C + I$. Where Y stands for current national income, C stands for spending on consumption, and I stand for spending on investment. Cambridge MA: Harvard University Press. p. 281.

²² Herman Daly persuasively argues that although it is theoretically possible to have more growth measured by value with less physical output, it is not a realistic possibility with the existing economic and social structure.

can the *causa causans* continue to function.²³ Administering capitalism implied undertaking the thankless and in the end impossible task of steering it along a stable growth path.²⁴ Growth was further imagined to be a political necessity, for the specious reason that only a growing economy could lift the poor out of poverty without precipitating bitter disputes over the slicing of the ubiquitous bewitching image of ‘the economic pie.’²⁵ The picture that holds so many captive insinuated that to make the poor better off without making anyone else worse off, the pie must grow.

An economic treadmill (a treadmill being a device where one walks and walks and does not go anywhere) obliges each nation to consume more and more, to justify investing more and more, not to accomplish any real purpose, but just to keep unstable markets from collapsing for lack of buyers. From an ecological point of view, the treadmill is not sustainable.²⁶ From a human point of view it is not desirable. Nevertheless, it is reality. Governments must continue to pay anxious attention to GDP even when they realize that GDP does not measure welfare and also does not measure the resources available to spend to create welfare. Slowing GDP is not just a warning that this year there will be fewer products. It is a warning that investor confidence and consumer confidence may soon collapse, leading to a collapse of sales and therefore to a collapse of employment.

It follows that even if the Swedish Model had succeeded and had been copied worldwide, the ultimate result would have been disaster –ecological if not social. It also follows that any alternative that we might construct today post Swedish Model and post social democracy must bear in mind **SF 2**. It must bear in mind that in the foreseeable future a function of investment (in the expectation of selling more products profitably)

²³ Rosa Luxemburg makes a similar although not identical argument, explaining European expansion as impelled by its internal instability. *The Accumulation of Capital*. London: Routledge and Kegan Paul, 2008 (1913)

²⁴ Economists have devoted a great deal of effort to charting a stable growth path for a more or less pure capitalist economy. See Robert M. Solow, ‘A Contribution to the Theory of Economic Growth.’ *The Quarterly Journal of Economics*. Volume 70 (1956) pp. 65-94.

Donald Harris persuasively argued that although a stable growth path might be theoretically possible it was practically extremely improbable in his *Capital Accumulation and Income Distribution*. London: Routledge and Kegan Paul, 1978. Our view is that claims that it is even theoretically possible depend (as in the Solow article cited) on a world view that treats economics as a study of predictable magnitudes. On why economics is not a study of predictable magnitudes see Peter Manicas, *A Realist Philosophy of Social Science*. Cambridge UK: Cambridge University Press, 2006.

²⁵ Erik Lundberg (1996) *The Development of Swedish and Keynesian Economic Theory and its Impact on Economic Policy*. Cambridge UK: Cambridge University Press. p. 52.

²⁶ Technological optimists agree that the present is not sustainable, but expect that in the future technologies enabling humanity to do more with less will make sustainability physically possible. See Peter Diamandis and Steven Kotler, *Abundance: the Future is Better than you Think*. New York: Free Press, 2012. We believe that they overstate their case and that in fact economic growth and population growth must be curbed to make the world physically sustainable.

will be to keep people more employed than they otherwise would be. But an even more basic function of new investment will be to shore up confidence in old investments (for example in the stock market). The Swedes were not imagining ghosts when they felt compelled to accept economic growth as an objective for more reasons than one. It is not a minor matter that CWP shows that it is possible to create dignified livelihoods without relying on investors to create employment, mobilizing community resources as well as government resources.

Although macroeconomics - a discipline Keynes and the Swedes largely created - began by advocating higher wages and more government spending to cure the Great Depression of the 1930s, during the heyday of the Swedish Model, after World War II, the salient threat was inflation.²⁷ Responding to the inflation threat called for *less* private and public spending, where responding to the depression threat had called for *more*.

Inside the box framed by the basic rules of the game nothing moves without turning money into more money, but summing over the whole society, money can only become more money, if the money supply increases; but increasing the money supply threatens to destroy money's capacity to serve as a store of value, which in turn threatens to destroy its capacity to serve as a medium of exchange, which in turn threatens to paralyze a system which relies on exchange to provide everyone's daily bread.²⁸ The Swedish Model never solved these conundrums.

A *sine qua non* of the Swedish Model was *export or die*. This implied supporting the Swedish team - Ericsson, Saab, Volvo, Electrolux - as it competed in worldwide technological races. It also implied keeping the prices of Swedish exports low enough to be competitive in global markets.

Subject to the constraints just described, the objective of the Swedish Model was to build a welfare state, a *folks hemmet* where the Swedes (the *folks*) would care and be cared for in their home (the *hemmet*).

5. Achieving Growth as a Constraint

²⁷ It should be noted however, that Gunnar Myrdal considered that it was in the end World War II that lifted the world out of depression. His advice to maintain high levels of government spending after the war to prevent falling back into another depression was generally followed. During the war, Myrdal was chairman of Sweden's Post-war Planning Commission. See Lundberg (op cit) pp. 43-44 and ff.

²⁸ Such reasoning led Milton Friedman to advocate increasing the money supply enough, but only enough to accommodate higher levels of economic activity, i.e. more sales of more goods and services. Milton Friedman, *A Program for Monetary Stability*. New York: Fordham University Press, 1960.

Let us take a closer look the systemic imperative to do whatever must be done to achieve growth.²⁹

Dani Rodrik, Ricardo Hausmann, and Andres Velasco co-authored a chapter on ‘Growth Diagnostics’ in the previously mentioned book cited by the commissioners who wrote South Africa’s *National Development Plan*.³⁰ We cite their views as typical and emblematic. The three authors start by asserting that while ‘development’ is a broad concept, its heart is economic growth. They claim that growth is the most direct route to raising a country’s scores on social and human indicators.³¹

‘Reform strategies should be principally targeted at raising rates of growth - that is, they should be growth strategies.’

Development *requires* growth and growth *requires* getting entrepreneurs excited about doing what needs to be done to increase the level of economic activity (i.e. increase sales). Here we meet again the dependence of economic activity on profit, and the dependence of profit on sales, analysed in chapter two above. To keep this discussion in perspective, remember that UO advocates both complying with the requirements of regimes of accumulation to the extent that it is necessary to do so to cope with economic reality as it now is, and also freeing humanity from the constraints of regimes of accumulation by building a plural economy. Number One on anybody’s list of reasons why attempts to transform social structures do not work is that the dominant (highly unsatisfactory) set of incentives to undertake production is undermined before it is possible to pick up the slack with other motives and other institutions.

RHV continue: To design public policies that will get entrepreneurs excited they propose a decision tree. The purpose of the decision tree is to identify the ‘binding constraints’ that are holding growth back, and then step by step, to create public policies to loosen those constraints. The decision tree begins by stating that generically there are

²⁹ We adopt Ellen Meiksin Wood’s phrase ‘systemic imperative’ to rephrase Keynes’ demonstration that balancing the books of a capitalist economy *requires* investments (and therefore growth) year after year to compensate for chronic insufficiencies of effective demand.

³⁰ Chapter Two, ‘Growth Diagnostics,’ of Dani Rodrik, *One Economics, Many Recipes*. Princeton NJ: Princeton University Press, 2007. (While the book as a whole has one author, this chapter has three.) The word ‘excited’ comes from the previous chapter written by Rodrik alone.

³¹ There is a large literature disagreeing with Rodrik, Hausmann and Velasco on this point, holding either that there is no clear relationship between economic growth and social welfare or that if there is one it is the other way around: social welfare causes economic growth more than economic growth causes social welfare. See Richard Wilkinson and Kate Pickett, *The Spirit Level*. op. cit.; Krishna Mazumdar, ‘Causal Flow between Human Well-Being and Per Capita Real Gross Domestic Product’ *Social Indicators Research*. Volume 50 (2000) pp 297-313, and the sources cited by these authors. Amartya Sen takes the view that whatever the answers may be, the questions should be better framed. *The Idea of Justice*. op. cit.

three constraints to growth: ‘We start by asking what keeps growth low. Is it inadequate returns to investment, inadequate private appropriability of the returns, or inadequate access to finance?’³²

These are the three basic questions. Once it is decided which of these three constraints is most binding, the next step is to analyse how to loosen it. If, for example, the binding constraint is the second (the difficulty of achieving what Marx called ‘the private appropriation of the social product’), then the decision tree goes on to ask why, in a given nation at a given time, is it hard to pocket the profits from the investment: ‘If it is a case of poor appropriability, is it a case of high taxation, poor property rights and contract enforcement, labour-capital conflicts, or learning and coordination externalities?’ If, on the other hand, it is the first constraint (low profits) that is the binding constraint, then the problem may be inadequate public investment in complementary factors of production such as human capital or infrastructure. Or it may be a case of poor access to imported technologies.

Let us consider what the mainstream RHV diagnostic of what growth requires follows **from** and what it **leads to**.

RHV **follows from** accepting what we called in chapter two the dependence of the economy on the confidence of investors and entrepreneurs **SF1**. If **SF1** is treated as a given of the problem (rather than as UO treats it - as a problem to be solved), then RHV follows. **SF 1**, in turn, is a consequence of the basic social structure. It is a consequence of the cultural rules that define material relations (as Porpora puts it). In other words RHV does not, as we do, seek a solution to excessive dependence on private capital accumulation as *the* motor to drive the economy by (1) recognizing and encouraging other ways to mobilize resources to meet needs, such as for examples (but only for examples,

³² RHV’s implicit premise that growth is achieved through investment-for-production-for-sale-for-profit is not idiosyncratic. In general, standard growth models do not consider other ways to mobilize resources to meet needs. That capital accumulation must happen for growth to happen is assumed in the concept of a balanced growth path where capital, labour, consumption, and output all grow at constant rates. See for example Roy Harrod’s seminal ‘An Essay in Dynamic Theory,’ *The Economic Journal*. Volume 49 (1939) pp. 14-33; Robert M. Solow, *A Contribution to the Theory of Economic Growth*. op. cit. The necessity for capital accumulation, and consequently our first Staggering Fact, remains intact when human capital and endogenous change are considered. Charles Jones, *Introduction to Economic Growth*. New York: Norton, 1998; Paul Romer, ‘Endogenous Technological Change.’ *Journal of Political Economy*. Volume 98 (1990) pp. S71-S102. These last ways of thinking have the real-world consequence of leading to a crusade to protect the profitability of intellectual property rights rationalized as necessary to keep the growth engine going by making private investment in research and development profitable, which leads, for examples, to pricing needed medicines out of the reach of the poor and to farmers losing control of seeds. In some versions they also lead to a pro-natalist bias against stabilizing population growth. Julian Simon, *The Ultimate Resource 2*. Princeton: Princeton University Press, 1996.

since on an unbounded approach the number of ways to solve a problem is infinite, not finite) the people's economy, the public sector, the social or cooperative economy, or as in CWP using public employment as a catalyst to mobilize community resources; and (2) deliberately building a plural economy, as is now being attempted in Bolivia³³ and Ecuador³⁴ and (3) Etc. (to be continued). To avoid misunderstanding, let it be noted now that recognizing that **SF 1** follows from the social structure, and therefore changing it requires changing the social structure, does not imply violence and extreme solutions. Social structures (examples will be given below) can be tweaked and adjusted by consensus, by education and by an in principle unlimited number of peaceful decision-making processes

RHV follows from treating **SF1** as a given. If it is postulated that *only* profit-driven entrepreneurial decisions generate the activities that produce everybody's daily bread, beer, and meat then the next question *must* be how to excite the entrepreneurs. The answer to the question does not have to be precisely the three items on the RHV short list (high returns, keeping the returns, access to capital to invest to get the returns) but it has to be something similar.

RHV leads to constraining the welfare state. It leads to what four decades ago, James O'Connor called 'the fiscal crisis of the state.'³⁵ On the one hand R, H and V observe that high taxes on profits discourage growth. On the other hand, they also observe that growth is discouraged when states fail to provide adequate complementary factors of production in the forms of infrastructure and an educated work force. O'Connor (and also Jürgen Habermas, citing O'Connor, in *The Legitimation Crisis*) points out that the state loses income, because it dares not impose high taxes on the investing classes. Over time, as (in Schumpeter's phrase) facts hammer logic into men,³⁶ the state shifts its tax base to consumption taxes like VAT. At the same time, state expenses go up, because public money must be spent to create the conditions that attract private money.

³³ On Bolivia see Gabriel Loza, *Bolivia: El Modelo de Economía Plural*. La Paz: Ediciones Vinculos, 2013. This book and many other books can be faulted for lumping very different things together in the omnibus category 'private sector.' It is available as an e-book.

³⁴ On Ecuador see José Luis Corragio, *Economía Popular Solidaria en Ecuador* 2007 (http://coraggioeconomia.org/jlc/archivos%20para%20descargar/La_economia_popular_solidaria_en_e_l_Ecuador.pdf -) In both countries principles of plural economy have been written into new constitutions.

³⁵ James O'Connor, *The Fiscal Crisis of the State*. New Brunswick NJ: Transaction Books, 1973.

³⁶ Joseph Schumpeter, *The Theory of Economic Development*. New Brunswick: Transaction Books, 2007 (1911) p.80.

Further, one who reads between the lines when RHV observe that labour-capital conflict is in some cases a binding constraint on growth, will discern that maximizing growth means tilting the dividing of the revenues of firms to increase the capital shares and decrease the wage shares. And so on.

Let us compress the two phases of our argument. (Phase I: SF1 leads to RHV. Phase II: RHV leads to fiscal crisis of the state, favouring capital over labour, and so on.) We conclude: Excessive dependence on private capital accumulation to drive the economy leads to the fiscal crisis of the state, favouring capital over labour, and so on. The RHV growth diagnostic drops out as an unnecessary middle term. Structural ungovernability follows directly from the constitutive rules of the system, from the constitution of what Charles Taylor has called a bargaining society³⁷, i.e. from the basic social structure. We will see this melancholy logic work itself out over time in post-war Sweden.

Further, we read in the NDP and elsewhere that the word ‘growth’ is commonly used to sing a song of *la vie en rose* about why all South Africans should voluntarily work together to grow a larger pie, so there will be more pie for all South Africans to share. In grim reality, systemic imperatives strengthen the already strong stranglehold of capital over government and over labour.

Similar points could be made about counting on exports to fund a welfare state. Living by exports requires living by the rules of the global economy, not by local rules. Democracy only makes local rules. Competitiveness means bringing costs, including wage costs, down to the levels of the costs of competitors, which means Swedish wages descend toward the level of Chinese wages – but which does not mean that Chinese wages rise toward the level of Swedish wages.

Arthur Okun gave the world an example of bounded in-the-box thinking regarding inflation, another key issue in Sweden after World War II, with his concept of trade-offs.³⁸ Among the features of the then (1975) prevailing common-sense that Okun reflected, was the common idea that right-of-centre political leaders are willing to trade off more unemployment to get less inflation, while left-of-centre political leaders are willing to trade off more inflation to get less unemployment. Milton Friedman later eclipsed Okun with his view that increasing the money supply beyond what is needed to

³⁷ Charles Taylor, Interpretation and the Sciences of Man, *Review of Metaphysics*. Vol. 25 (1971) pp. 3-51. P. 48.

³⁸ Arthur Okun, *Equality and Efficiency: The Big Tradeoff*. Washington: The Brookings Institution, 1975.

keep pace with a steadily growing economy only temporarily appears to create employment. In the last analysis, Friedman showed, a so called ‘Keynesian stimulus’ where the government steps in to loosen wallets by filling them with money, only increases inflation while failing to decrease unemployment. In his Nobel Lecture, Friedman argued that governments create inflation not because they want inflation, but because they want full employment and a welfare state. For Friedman the solution was the one he favoured anyway on other grounds: abandon full employment and a welfare state as goals.

An unbounded approach, on the other hand, calls for moving parameters mainstream economics *see as* unmoveable. UO steps out of the dilemmas. Its *la vie en rose* song sings aligning with the societal enterprise, enhancing livelihoods presently existing, and creating new ones in an unlimited number of ways. Among those unlimited ways, those that are inflationary can be ruled out, while still leaving an infinite number remaining. UO is all in favour of the rosy rhetoric of the NDP calling on all South Africans to align together for the common good. It calls for making the rhetoric sincere by backing it up with an ethic of care put into practice..

The unfortunate conclusions following from this analysis of RHV’s version of standard growth theory - which are tragic conclusion when translated from abstract terms into the flesh and blood suffering of human beings, and the heat and stench suffering of ecosystems - are conclusions that the Swedish Model appeared for a time to have successfully avoided.

6. Some Swedish Model Achievements

Let us look briefly at a few of the many ways the architects of the Swedish Model succeeded, albeit temporarily. They accepted the constraints of growth, curbing inflation, capital formation, and dependence on exports, and nevertheless temporarily built a high wage welfare state³⁹ with full employment.⁴⁰

³⁹ We consider together the ‘welfare state’ defined in terms of government services and transfers and the policies and institutions promoting high wages and full employment. They have in common that they tend to burden profits and high incomes for the sake of promoting social equality. They also have in common that they regulate and supplement markets rather than leaving markets to themselves. Hence, they tend to run up against similar constraints, i.e. disincentives to production.

⁴⁰ In the two decades immediately after World War II unemployment in Sweden fluctuated according to unemployment insurance statistics between 1% and 2.5%. These figures count those being paid while they are retrained or employed by the government as employer of last resort as employed rather than as

Given the premise that profits move the economy, Keynes and his Swedish colleagues reasoned that there are no profits without sales, no sales without customers, no customers without people having money in their pockets. The Swedish Model put money in the pockets of the people. It spurred growth by assuring investors that they could make profits because their products could be sold.

Gunnar Myrdal described Swedish social democracy as a ‘created harmony.’ Conceding to Adam Smith the prerogative of calling free markets, where individual buyers and sellers make deals with each other *natural*, Myrdal argued that there is a harmony more harmonious than a natural one. Experience has shown, he said, that it is not in the interest of workers for economic life to be governed by separate contracts among individuals. It is in their interest for economic life to be governed by the general rules of labour legislation, and for wages to be set by collective bargaining.⁴¹ The result is, as Keynes prescribed: growth stimulated by mass consumption.

Gösta Rehn made an ingenious anti-inflation argument that justified the transfer of corporate profits via the government to social programmes. Profit margins had to be low to force employers to resist wage demands. Somewhat paradoxically, this eminent economist employed by the labour unions argued that it would be inflationary to give labour everything it asked for. It was not enough to jawbone the unions. It was not effective to keep prices down with price controls and other administrative measures. The supply of money had to be kept reasonably tight and interest rates reasonably high. One-way inflationary pressure was reduced was by deducting compulsory contributions from wages for pension funds.⁴² The workers had less money to spend.

Further, and here is the key, to stop inflationary wage increases, it had to be really true that the employers could not afford wage increases (or wage increases beyond those justified by productivity increases), because they did not have the money, because the government had taken most of their profits away in taxes.

unemployed. If they were counted as unemployed the numbers would be about half a percent higher. Assar Lindbeck (1968) ‘Theories and Problems in Swedish Economic Policy in the Postwar Period,’ *American Economic Review*. Volume 58, pp. 1 -87, pp. 7-8.

⁴¹ Gunnar Myrdal (1960) *Beyond the Welfare State*. New Haven: Yale University Press. pp. 19-29, 62-64. In the lectures at Yale published in this book Myrdal attributes Sweden’s success to planning. E.g. p. 63. If that were true, then if the rest of the world could learn how to plan like Sweden, then the rest of the world could enjoy prosperity like Sweden’s. As Myrdal spoke international agencies were running seminars in the capitals of third world countries teaching their governing elites how to plan. Id. 228-249.

⁴² Writing in 1968, Lindbeck expected pension fund contributions to be 9.5 per cent of wages and salaries in 1969. Lindbeck (1968) (op cit) p. 30.

There had to be capital formation, but that did not necessarily mean augmenting the incomes of the fifteen or so families who owned the bulk of Swedish industry. A standard liberal view would be that since the rich already have incomes exceeding any reasonable level of consumer spending, they are more likely to contribute to capital formation than ordinary gentlemen who ride motorcycles to work and ordinary ladies who play bingo on Saturday nights. The rich are seen as the ‘saving classes.’

The Swedish Model, like virtually all of Eastern Europe and the Communist Bloc at the time, took a different approach.⁴³ There was public capital formation. There were the *löntagarfonder*, union-run pension funds controlling large and growing sums. There were cooperatives. These alternative forms of capital formation had deep roots in Sweden. They were more likely to invest at home and less likely to roam the world seeking lower wages, lower taxes, more lax environmental regulations, and higher profits. Further they corrected the bias of private capital for short-term profits, being more willing to wait for the payoffs of long-term investments. They could work together with private capital in partnerships that private capital would not undertake on its own.

Meanwhile, under the Swedish Model, Volvo, Saab, Electrolux, Ericsson, *et al* and even the fabulously successful musical group ABBA, had plenty of money to invest in winning global technology races and in doing creative marketing. The government made sure they got what they needed. Part of the money it took away by taxing profits, it gave back to subsidize international competitiveness.

7. The Government as Employer of Last Resort

As we saw in chapter two, in a system that resembles Smith’s or Walras’s theoretical constructions, wages are normally low and full employment rarely happens. What, then, were the generative causes superimposed upon normality,⁴⁴ that produced full employment at high wages in Sweden, in the years immediately following World War II? Our answer divides into two parts: (1) Favourable circumstances, (2) Ingenious policies.

(1) Favourable circumstances

⁴³ Indeed, public capital formation in the socialist countries generally exceeded the rates of capital formation in capitalist countries. Richard Musgrave, *Fiscal Systems*. New Haven: Yale University Press, 1969.p. 35.

⁴⁴ ‘Normality’ within the institutional frame of pure capitalism.

War-torn Europe lay in ruins. It had to be reconstructed. Marshall Plan money flowed east from the USA to the continent of Europe to pay for rebuilding what the war had destroyed. A considerable portion of it then flowed north to Sweden (which had been neutral during the war) to pay for reconstruction inputs, notably lumber and iron ore. Further, the automobiles, airplanes, electronic equipment, and other products of industrialized countries like the USA and Sweden, which had suffered little or no war damage, were in demand to fill the void left by the devastated industries of countries like Germany, Japan, Holland, and Belgium.

Swedish workers had work. They also had unions. The major industries were virtually 100% unionized. Wages could not be bid down by playing off workers in competition with each other. Swedish workers did not compete with their comrades. They stood in solidarity with their unions. Since Swedish unions controlled a key factor of production (labour) in key industries producing goods world markets were crying out to buy, they were in a position to send wages in those industries through the roof.⁴⁵ Although the social democratic government was happy to take credit for the prosperity of the working classes, it was often called upon to use its influence and its policies to dampen wage increases to fight inflation.

(2) Ingenious policies

It was a piece of cake to achieve high wages in key industries. The Swedish Model achieved more than that. It achieved high wages *with rather little inflation*.⁴⁶ It achieved high wages *for all workers*, no matter where they worked. How?

The economy was conceived as divided into two parts, a tradeable part and a non-tradeable part. The tradeable part—about a third of the jobs—produced goods for which world markets. It established baseline prices. How much the rest of the world was willing to buy from Swedish industries, and how much it would pay, were determined by factors outside Sweden's control. The tradeable sector was a price-taker. The name-of-the-game was to produce goods efficiently so that costs would sink and the quantities sold

⁴⁵ A detail highlights how very unusual were the circumstances of Sweden after the war. At most places most of the time governments are eager to encourage investment. A chronic shortfall of investment is part and parcel of the chronic shortfall of effective demand studied by Keynes. But in the boom years 1952-53 and 1955-57 as an anti-inflation measure the Swedish government imposed a surtax to *discourage* investment. The economy already had *too much* effective demand. The 1952-53 investment tax was 10% and the 1955-57 investment tax 12%. Lindbeck (1968) (op cit) p. 40.

⁴⁶ In the period 1950-1965 average yearly inflation was 4.3%. Lindbeck (1968) (op cit) p. 8.

would rise.⁴⁷ When the money rolled in - in amounts determined by Sweden's productivity and world market demand⁴⁸ - the next question was how to divide it between profits and wages (taking other costs as fixed).

If wages rose too far too fast, the result would be inflation. There would be too much money chasing too few goods. The rule of thumb came to be that wage increases would be tied to productivity increases.⁴⁹ If in a particular industry productivity went up 5%, profits went up 5% and wages went up 5%, there would in principle be no inflation generated by that industry. There would be more money in the pockets of consumers, but there would also be more goods (including goods imported with the foreign exchange Sweden had earned by exporting) to buy with it.⁵⁰

This way of sharing Sweden's winnings from playing the international market by dividing the winnings between capital and labour then set a standard for the non-tradeable sector. The remaining two thirds of the work force (the taxi drivers, the kindergarten teachers, the dental assistants ...) were also supposed to receive wage increases following the pattern set in the tradeable sector.⁵¹

The wage pattern was negotiated by the labour unions (the LO previously mentioned; the TCO federation of white-collar unions, and two smaller groupings) and the employers federation (the SAF). In principle the government did not participate in collective bargaining. A pattern was set for the whole country in a single bargaining process where Labour negotiated with Business.

The rule tying wage increases to productivity increases was supplemented by the rule that given when productivity gains made wage increases allowable, the wages of the lowest paid should be raised first. Those whose wages were already high should wait. Later, this rule blended with the rule that the wages of women should be raised to become

⁴⁷ Erik Lundberg, calculated the annual productivity gains in the tradable sector to be about 4.2 % per year in the years 1952-1960 and about 8.2 % per year during the years 1960-1968. Erik Lundberg (1996) *Swedish and Keynesian Macroeconomic Theory*. Cambridge: Cambridge University Press. p. 55.

⁴⁸ Sweden's winnings in the international game were also augmented after the war by a worldwide increase in the supply of then inexpensive imported commodities such as fuel. Lindbeck (1968) op. cit. p. 11

⁴⁹ Historically of course, and also today, when labour's bargaining power is weak, productivity increases do not generally lead to wage increases. Capping wage increases at the level of productivity growth was a rationale for restraint in wage increases at a time when labour was strong.

⁵⁰ During the years 1950-1965, on average prices of consumer goods rose about 4 % per year while wages rose 8 to 10% per year. Lindbeck (1968) (op cit) p. 8.

⁵¹ These ideas were articulated as the EFO model named after the authors Gösta Edgren, Karl-Olof Faxén, and Clos-Erik Odhner (1973), *Wage Formation and the Economy*. London: George Allen and Unwin. (original Swedish edition 1970),

equal with those of men. These rules were not imposed on Business by Labour or on Labour by Business. They were a negotiated consensus. The labour unions - complying with the negotiated agreement - exercised constraint in raising the wages of the best paid workers, while they felt free to insist on bringing up to Swedish levels the wages of the lowest paid workers. That women's wages should be raised to equal men's wages was a principle supported by all sectors and was part of the 'solidaristic wage policy.'

The hapless losers in the process were the owners of marginal businesses. The marginal businesses were often small businesses. Already squeezed by high taxes, they were squeezed again when their workers - who were the lowest paid workers - achieved pay increases through aggressive unions doing what they were supposed to do to. The unions complied with the solidaristic wage policy. When the owners of marginal businesses looked around for allies in the struggle to survive, they found that not only Big Labour and Big Government, but also Big Business were in the alliance that was choking them. High profit high productivity businesses - for example Saab's booming business selling commuter airplanes to the rest of the world - could afford to pay high wages. They were winners in the negotiation process because their employees, who were already highly paid, refrained from going on strike to be paid even more, while society was devising ways to channel productivity gains to their less well-paid comrades working elsewhere.

The reader will note two glitches: First, something had to be done to keep productivity going up and up, because without its constant rise, there is no growing power to import goods, and therefore no way to keep a combination of the same amount of goods and a greater amount of money from producing inflation.⁵² Second, less productive businesses could not keep up the pace. The Swedish Model coped with these glitches in several ways. We discuss two key ways.

One was to do something, actually several things, to keep productivity going up and up. Productivity growth under the Swedish Model was only partly a matter of technical improvements. It was mainly a matter of altering the mix of Swedish industry. Industries that were already making good profits and paying high wages - like the paper and paper pulp industry - expanded. Sunset (*solnedgång*) industries contracted. Let the Italians make shoes! The Swedes will make high tech electronics! When high-

⁵² We omit the detail that it is theoretically possible to have price stability with more money and the same amount of goods if the velocity of money (i.e. how fast the same money changes hands through sales) declines.

productivity industries expanded and low-productivity industries disappeared, average productivity increased.

A second way to cope with the glitches was the active labour market policy. In being active (or positive) it marked a departure from the pattern of public policies designed to have a general impact. Keynes and the Stockholm School economists had often advised boosting consumer purchasing power and boosting incentives to invest by general measures *affecting the whole economy at once*. For example: measures having the effect of lowering interest rates in the whole economy at once. Lower interest rates discouraged leaving money idle in a bank account. They encouraged taking out a loan, hiring people, making something and selling it. *In the whole economy at once*.

The active labour market policy departed from this pattern. An active or positive policy is one that moves out of the comfortable corridors of the *Riksbank* (Sweden's Central Bank) to go find the ailing businesses and the workers being paid substandard wages, and to go find the pockets of unemployment dotting the Swedish landscape. And then to do something about specific bottlenecks. An active policy does things to solve the problems where the problems are. Sweden's active labour market policy identified places where employers would hire more qualified employees if they could find them. It helped move people to where the jobs were, and away from where the jobs were not, both in a geographical sense and in an educational sense.

Sometimes, it subsidized marginal businesses so that they could meet payroll and stay in business, at least for a while. More characteristically, it assisted the phasing out of *solnedgång* industries. Workers were re-trained. They were paid while they were retrained. If all went well when the workers got their new jobs in *soluppgång* (sunrise) industries, they would be making more money than they had been making in their old jobs. Managers and owners were retrained too. They were provided with credits and technical advice to move into growth industries. They were discouraged from persisting in businesses that could not afford to pay high wages. (Notice that all this cheerful optimistic activity quietly pretends that the chronic weakness of effective demand, Stagging Fact Two, is not a fact; it pretends that the basic social structure is not what it is.)

Notice that it was nationwide collective bargaining between the labour unions and the employer federation that set solidaristic wage patterns that drove marginal businesses to the wall. But it was *government* with its active and positive policies that tried to pick up the pieces to put Humpty Dumpty together again.

All would have been well in the best of all possible Swedens, if the rest of the world had cooperated by buying ever larger quantities of capital-intensive, technology-intensive, high quality Swedish exports at prices high enough to sustain a prosperous and ever larger tradable sector that would drag up the prosperity of the non-tradable sector and fund transfers to social programmes. And all would have been well if Volvo (for instance) had cooperated by continuing to expand its operations in Sweden, resisting the temptation to make cars and buses in São Paulo and paying Brazilian wages. It was not always so.⁵³

It was because all did not go well that the State as employer of last resort came to be appended to the Swedish Model. All was not well in Sweden when enthusiasm waned in the rest of the world for buying Swedish products, and when enthusiasm waned among Swedish industrialists themselves for paying Swedish wages. But let it not be thought that the ability of capital to choose which laws to obey by choosing where to site its operations is a law of nature. On the contrary, it is an essentially intransitive generative mechanism, a social structure.

In the world as it was and is, with the global liberal jurisprudence that had evolved first in Europe and then in the expansion of the European World System to form the Modern World System, Sweden had to adjust to capital flight. When the sun had set on a sunset industry, and the workers formerly employed there had enjoyed all the benefits of unemployment insurance and retraining; and then the sun failed to rise, or to rise fast enough, on a high-productivity growth industry; then the State could not renege on its promises of employment for all at good wages. Women (and sometimes men) were put to work as employees of local governments running day care centres for children. Men (and sometimes women) were funded to work for the same local governments doing construction work to overcome Sweden's stubbornly persistent deficit of social housing. Promises were kept. Everybody who needed work could demand it and get it; no private employer could pay less than the State was paying; until the inevitable happened. An

⁵³'Since 1973, a number of industries have been hit by over-capacity breakdowns coupled with demand failures and profitability crises. This has happened to iron ore, steel, shipyards, textiles, and to some extent to the timber and woodwork industries. We find here a number of inter-related issues: international over-investment during the boom years of the sixties and seventies, stagnating demand development especially in investment branches, keen international competition from newly industrialized countries.' Erik Lundberg (1982) in his contribution to Ralf Dahrendorf (ed.) *Europe's Economy in Crisis*. New York: Holmes and Meier. pp. 198-99.

over-extended welfare state came crashing down and the Swedish Model passed into history.⁵⁴

8. The Decline of the Swedish Model

We want to extrapolate from the Swedish case to make a general case for unbounded structural transformation. We want to augment the human capacity to adjust its cultures to their physical functions. The principle the Swedish case illustrates is that governability (in this sense) cannot be achieved without transforming the basic cultural structures of the modern world.⁵⁵ We call as witnesses two distinguished economists for whom (so far as we can tell) unbounded organizing is unknown.

Alice Rivlin headed a mission from the Brookings Institution that studied Sweden in the early 1980s. Since she and her Institution are both regarded as sympathetic to the cause of working people, she could be expected to draw some pro-worker conclusions, if any such could be drawn applying standard economic logic to the facts. In her report she finds no such conclusions to draw, unless one counts a bitter pill as pro-worker because it staves off even more bitter pills in the future. Our conclusions are the same as in Chapters Two to Four. Standard economic logic does not favour the poor. What is needed is not a new economic model, but a new social structure, or, rather, a series of new social structures as envisioned in John Dewey's experimental society and Karl Popper's open society.

Rivlin found in her report that Sweden suffered from a persistent decline in its competitiveness in world markets. She does not notice the contradiction involved in advising one country after another that their problem is that they are not competitive enough, as if the fact that the average basketball team loses half its games showed defective coaching.

There were, in mainstream economic circles, two basic explanations of Sweden's decline, and, correspondingly, two basic remedies. One put the emphasis on microeconomics: on wages, regulations, taxes, and other factors that impact the decisions of individuals and businesses to work, produce, save, and invest. The microeconomic

⁵⁴ See Erik Lundberg (1985), 'The Rise and Fall of the Swedish Economic Model' *Journal of Economic Literature*. Volume 23, pp. 1-36.

⁵⁵ Volume II of Howard Richards, *Letters from Quebec*. San Francisco and London: International Scholars Press, 1995, is titled 'transforming the basic cultural structures of the modern world.'

problem (says Rivlin) is that the commitments to equality and full employment have distorted Swedish economic incentives. The solution, on this first approach, is to lower taxes, reduce transfers and subsidies, and generally eliminate interference with market outcomes.

The other view, on Rivlin's analysis, put the emphasis on macroeconomic policy. It considered such things as Central Bank monetary policies that affect the overall level of economic activity, wages, prices, interest rates, and the exchange value of the *krona*. Rivlin's macroeconomic hypothesis is that Sweden's macroeconomic policies have fostered consumption at the expense of saving. The results have damaged the country's ability to compete in world markets. The remedies are similar to those prescribed under the microeconomic hypothesis: retreating from the strong commitment to full employment, allowing the *krona* to float downward to make exports competitive, and so on.⁵⁶

In sum, the recommendations are to lower taxes, to reduce the transfers of money from haves to have-nots through the welfare state, to reduce public subsidies for social housing and other social goods, and generally to revert toward, if not to, pure capitalism, where market outcomes are not 'interfered with' by non-market practices. The recommendations are to retreat from full employment and accept unemployment; to combat inflation by taking money out of circulation by reducing wages; and (at the same time) to let the exchange value of the Swedish krona fall in order to make Sweden competitive in world markets.

The cheaper krona effectively reduces the sales prices of Swedish exports. It also has the effect of raising the prices of imports for Swedes. This effectively lowers wages by reducing the purchasing power of workers' pay. In other words, at the same time wages are frozen to fight inflation, inflation is deliberately induced to promote exports. Such austerity measures, which have been implemented not only in Sweden, but in one country after another - perhaps most famously in Greece - are said to be necessary. In the famous words of Margaret Thatcher, *there is no alternative* (TINA).

We take Rivlin's testimony to show that the system only works when social goals are sacrificed, and it does not work well or reliably even then. In one word it is

⁵⁶ Alice Rivlin, in Barry Bosworth and Alice Rivlin (eds.) (1987) *The Swedish Economy*. Washington DC: Brookings Institution. pp. 10-11.

ungovernable. It is not capable of adjusting to ecological crisis or to technologies coming on line making most human mental and physical labour obsolete.

The testimony of another witness provides even stronger support for our case

9. Assar Lindbeck's Critique of the Swedish Welfare State

Our other witness is the distinguished Swedish economist Assar Lindbeck. He supports our case *because he is right within his own frame of reference*. Our conclusion is that his frame of reference requires a paradigm shift –a shift to less economy and more community. To be more precise (because we are not advocating a new paradigm but a new flexibility) it requires a *rupture épistémologique*.

Assar Lindbeck chaired the *Lindbeck Commission* named by the conservative government elected in 1991, to seek a cure for the ills of the Swedish economy. When the socialists were turned out of office by the voters in 1991, they themselves had long since abandoned the Swedish Model and had implemented neoliberal reforms. When he was named to head the commission charged with finding ways to turn Sweden around, Lindbeck had already been building an impressive CV for several decades. It was studded with academic publications that (from our point of view) document the incompatibility of the Swedish welfare state with the basic social structure. We call Lindbeck as a witness against himself. His testimony will show that within his frame of reference the future of humanity is hopeless.⁵⁷

In 1997, after a half century that had seen the Swedish Model's rise and fall, Lindbeck analysed its deterioration with the benefit of hindsight.⁵⁸ We review parts of Lindbeck's later *post hoc* analysis. It provides a mirror image of our own views on what the Swedish Model was, why for a time it worked, and why it was not sustainable.⁵⁹

⁵⁷ His findings include findings of other researchers he cites.

⁵⁸ Assar Lindbeck (1997), 'The Swedish Experiment' *Journal of Economic Issues*. Volume 35. pp. 1273-1319.

⁵⁹ Lindbeck also emphasizes two dimensions of Sweden's woes that we do not review here: (1) breakdowns in allocative efficiency: for example rent control discourages private construction, which makes it necessary to subsidize construction with public funds, which diminishes incentives to keep construction costs down, and (2) what might be called a demoralization of the country, leading to Gunnar Myrdal remarking that Sweden had become 'a nation of cheaters.' (quoted in Lindbeck, 1997 p. 1301): for example, falsely calling in sick and not showing up for work. The CWP and NREGA approach makes a positive contribution to allocative efficiency by involving local citizens in setting priorities for public works not accomplished by markets, while community development properly conceived and implemented contributes to positive moralization.

Lindbeck: Already in the late 1970s and early 1980s, Swedish mining, steel, shipbuilding and other industries faced overcapacity in international markets.⁶⁰ Gone were the extraordinarily favourable days for Sweden when the few industrial countries that survived World War II intact could sell whatever they could produce.

Us: With Europe rebuilt and new industrial powers emerging, the world returned to the normality we discussed in chapter two, i.e. **Staggering Fact Two**, a chronic insufficiency of effective demand and more sellers than buyers. As the economy became more internationalized, it became easier for firms based in Sweden (like Volvo) to shift production to places where wages and taxes were lower.⁶¹ A model based on raising productivity (and thus making it possible to raise wages with little inflation) by expanding high-productivity high-profit exports was no longer feasible.

'We were promised that the hiring at the CWP project would be based on giving everyone a chance to work. We are still hoping that they will hire us.... I feel so depressed because I was hoping that I will get a chance to earn some money.'---interviewee, Randfontein IDA

The model as it developed also included a solidaristic wage policy, raising first the wages of the lowest paid. This was a solution for some, but a problem for others. Marginal firms faced closure; their workers faced unemployment. The government tried to cope with this nasty downside of the model using its active labour market policy; its all-out drive to expand *soluppgång* industries; its retraining programmes; and when all else failed, by accepting the role of employer of last resort.

Lindbeck: Lindbeck points out in his *post hoc* analysis that under new international conditions the *soluppgång* industries proved to be few and far between. The idea was to phase out the *solnedgång* (sunset) private industries as painlessly as possible, and then phase in sunrise industries (or expand existing winner industries) where formerly relatively low paid workers would find jobs in high-productivity industries at high pay. What happened in practice was a staggering increase in the number of workers on the public payroll.⁶² Since the private sector had, in fact, few new jobs to offer, the

⁶⁰ Lindbeck (1997) p. 1302.

⁶¹ Lindbeck (1997) pp. 1293, 1312.

⁶² Lindbeck (1997) p. 1292. Lindbeck writes of 600,000 new public employees, about 15% of Sweden's total labour force. Id. p. 1311.

economic returns for the workers who went through retraining turned out to be quite modest.⁶³

Paying salaries in the only sector that was growing, the public sector, and providing a generous ‘social wage’ (benefits from welfare and public services) to complement high wages, led to ever higher taxes.⁶⁴ When profits were squeezed between high wages and high taxes the consequence was sluggish production and investment.⁶⁵ By the 1980s, the number of new start-up manufacturing firms had fallen to nearly zero.⁶⁶ Private investment fell.⁶⁷ The rate of return on physical capital fell.⁶⁸ Capital **gradually flowed away** from the tightly controlled institutions, such as banks and insurance companies that the government regulated in its attempts to make full employment and a welfare state compatible with price stability.⁶⁹

Faced with high wages that priced many of Sweden’s exports out of world markets and motivated multinational firms based in Sweden to do their manufacturing elsewhere; and faced with strong labour unions that made it impossible to lower wages; Sweden resorted to a series of devaluations of its currency, the *krona*.⁷⁰

In 1992 it decided to let the *krona* float, or rather, sink.⁷¹ In this way real wages were lowered to levels comparable to those of Sweden’s principal trading partners. Seeking to restore profitability and competitiveness, Sweden carried out a series of neoliberal reforms over the years, similar to those carried out in the rest of the world:

⁶³ Lindbeck (1997) p. 1308.

⁶⁴ Among other data on Swedish taxes Lindbeck reports that most income earners in Sweden had marginal tax rates of 70 to 80% in the 1980s. Lindbeck (1970) p. 1298. High taxes forced most households to have at least two wage earners. Id. p. 1300.

⁶⁵ Lindbeck (1997) p. 1302, referring specifically to the effect of high wages. Lindbeck (1997) provides data on several specific aspects of this general point. Some other authors, known as the EFO trio, calculate the fall of average yearly profits in Swedish industry during the 1960s as follows. ‘Profit’ being a notoriously ambiguous concept, they make their point using three different measures of it, measures (1) (2) and (3).

Year:	1960	1961	1962	1963	1964	1965	1966	1967
Profits (1)	10.7	10.5	9.3	9.2	9.9	9.7	7.9	7.5
Profits (2)	7.8	7.5	6.2	6.1	6.9	6.6	4.7	4.3
Profits (3)	6.4	6.1	4.9	4.8	5.4	5.5	4.0	3.8

Source: Gösta Edgren, Karl-Olof Faxén, Clas-Erik Odhner (1973) *Wage Formation and the Economy*. London: George Allen and Unwin.

⁶⁶ Lindbeck (1997) p. 1294.

⁶⁷ Lindbeck (1997) p. 1292.

⁶⁸ Lindbeck (1997) p. 1291.

⁶⁹ Lindbeck (1997) p. 1292. An example of such an attempt would be fixing interest rates at a low level in order to (among other things) favour employment and keep down the cost of the government’s own borrowing, and then rationing credit to deflate inflationary pressure due to too much lending.

⁷⁰ Lindbeck (1997) p. 1293.

⁷¹ Lindbeck (1997) p. 1304.

deregulating capital markets,⁷² cutting social security benefits,⁷³ and making it harder to be absent from work on sick leave, resulting in a drop in average sick days of Swedish workers from 24 per year, to 11 per year.⁷⁴ Furthermore, changes in macroeconomic policy made fighting inflation a top priority and, frankly, put employment on the backburner.⁷⁵ Bank bailouts (the familiar pattern of privatizing profits and socializing losses),⁷⁶ privatization of public assets,⁷⁷ abandoning the government's commitment to be employer of last resort, and cutting public sector employment followed;⁷⁸ and, finally, a general rollback of the welfare state was encapsulated in the abolition of wage earner funds that had been a type of pension fund giving organized workers an ownership stake in industry,⁷⁹ and the creation of tax breaks for businesses.⁸⁰

From Lindbeck's point of view, Sweden's numerous currency devaluations were a way of honouring the commitment to full employment. Rolling back real wages made it profitable to hire more people. *From our point of view*, there came a time (the early 1990s) when organized labour became so weak that it was no longer necessary to resort to currency devaluations to keep real wage costs down. Lindbeck comments that 'the fact that politicians finally decided that devaluations and further expansion of public employment were not acceptable means of keeping the unemployment rate down means that the previous success of full employment was not sustainable in the long run.'⁸¹ Lindbeck goes on to describe the Swedish Model as a brief historical episode, an interlude, and to say that after the 'radical experiments of the 1960s and 1970s,' Sweden has now, once again, become a more normal country.'⁸²

'Zuma promised us a better life. But now we are unemployed. We are now engaged in projects where

⁷² Lindbeck (1997) p. 1292-93.

⁷³ Lindbeck (1997) p. 1301.

⁷⁴ Lindbeck (1997) p. 1301. Lindbeck suggests that this result may be due in part not just to changes in the rules, but also to the now real threat of unemployment making workers more fearful of losing their jobs.

⁷⁵ Lindbeck (1997) pp. 1303, 1313. Inflation was of course rising at the same time that fighting it was becoming top priority.

⁷⁶ Lindbeck (1997) p. 1305. We add a little editorial comment to the facts Lindbeck cites.

⁷⁷ Lindbeck (1997) p. 1306.

⁷⁸ Lindbeck (1997) p. 1311. In the early 1990s, public sector employment was cut back about 10%.

⁷⁹ Lindbeck (1997) p. 1313.

⁸⁰ Lindbeck (1997) p. 1313.

⁸¹ Lindbeck (1997) p. 1311.

⁸² Lindbeck (1997) p. 1314. He suggests that nevertheless the fact that so many Swedes have become dependent on the government may mean that Sweden has passed a point of no return making it hard to predict how it will fare in the future.

we are not working for anything. You have children but you earn R520. It does not mean that you are working. It is just a waste of time.' -- CWP Participant, Joe Morolong Local Municipality, Northern Cape Province (Jacob Zuma is the President of the Republic of South Africa).

10. Conclusions: Some Challenges for Unbounded Organization from the Decline of the Swedish Model

From the Swedish experience we draw conclusions more sweeping than would be justified by that experience alone. The case of the Swedish Model allows us to draw the conclusion that unbounded organizing, *economía solidaria*, or something similar, is necessary, because that conclusion has already been prepared by other evidence and other arguments. And because the Swedish case itself displays the mechanisms that made social democracy unsustainable; notably: capital flight, chronic weakness of effective demand, and the fiscal crisis of the state (a combination of too many obligations and too few resources). These mechanisms are, in turn inherent in the structures of private law and their projections in the structure of international trade. It is not just a case of a model not working. It is a case of a model not working because of the operation of visible mechanisms inherent in constitutive rules.

In 1968, while the Swedish Model was still a success, Lindbeck noted the extreme difficulty of reconciling full employment and price stability while avoiding central government intervention in wage determination.⁸³ In the 1950s and 1960s, when the Swedish Model was succeeding in keeping unemployment very low while raising wages, the Swedes were scrambling to keep inflation under control using numerous expedients. Each had some drawback or other. They managed to keep inflation down, on average to 4.3% a year, but they found no durable solution. Some, such as Bertil Ohlin, the economist who led the opposition Liberal Party, argued that Sweden's commitment to what he called 'overemployment' simply could not be reconciled with price stability. The futile attempt to do the impossible was, in Ohlin's view, leading to detailed government regulation incompatible with a free market economy.⁸⁴

We suggest that Ohlin (like Lindbeck) was proven right. The long run arrived. The unusual circumstances caused by World War II faded away. The circle could not be squared. Although Ohlin and Lindbeck would be reluctant to admit it, on their premises

⁸³ Lindbeck (1968) p. 27.

⁸⁴ Lindbeck (1968) p. 15 citing Ohlin.

dignified livelihoods for all are, if possible, at all, not sustainable. The failure of the Swedish economists to square that circle was certainly not due to lack of intelligence, or to lack of effort devoted to serious study,⁸⁵ or to a lack of political will.

Neither Sweden nor any other nation living within the basic cultural structure of modernity has avoided facing choices between unacceptable alternatives. One such choice has been that either part of the population must be unemployed (or underpaid) to stabilize prices, or money must fail to perform its function as a store of value, or both. Indeed, on Friedman's analysis, the problem is even worse than that, since the most Keynesian stimuli can do is postpone unemployment until the inevitable day of reckoning. Historical experience supports at least a *prima facie* case that the problem how to meet the needs of all in harmony with nature within the frame of modern western civil law has no solution. The Swedish Model was once thought to be the solution; it was regarded by many as a rational compromise synthesizing freedom and justice.

An unbounded approach redefines the problems. For example, the problem is not how to choose the best trade-off between maximizing employment and minimizing inflation. The problem —one of several intractable 'wicked' structural problems--- is having to make that choice. An unbounded approach goes beyond an active labour market policy. Sweden's active labour market policy moved beyond macro-measures that for example increase or decrease the total supply of money in the whole economy. It went out into the field to uncork bottles. It made valiant efforts to improve the terms of the trade-offs, but it did not attempt to transform the system that required the trade-off in the first place.

Our proposals do attempt to transform the system. In closing this chapter, we will add more details to the proposals we have been making in earlier chapters.⁸⁶ While Lindbeck can conclude, 'Sweden has now, once again, become a more normal country,'⁸⁷ we cannot rest content with dysfunctionality that has become normal and threatens to become fatal. We seek viable alternatives. After a few words on Green New Deals, we will devote most of the rest of this chapter to making suggestions concerning what

⁸⁵Lindbeck (1968) op.cit. summarizes the studies of Bent Hansen and his ingenious proposals for achieving price stability and full employment at the same time, as well as the studies and proposals of Gösta Rehn, Rudolf Meidner, Anders Östlind, Erik Lundberg, Gunnar Myrdal, Dag Hammarskjöld and others.

⁸⁶ For example, the six-step suggestion made in the previous chapter.

⁸⁷ Lindbeck (1997) p. 1314. He suggests that nevertheless the fact that so many Swedes have become dependent on the government may mean that Sweden has passed a point of no return making it hard to predict how it will fare in the future.

unbounded and realist alternatives would have looked like in Sweden in the 1960s, and would look like today.

11. Green New Deals

On February 7, 2019, Representative Alexandria Ocasio-Cortez of New York introduced in the United States House of Representatives a *RESOLUTION Recognizing the duty of the Federal Government to create a Green New Deal*. It demanded benefits Americans in the twenty first century lack that (as it happens) were benefits Swedes in the 1960s had, including high wages, paid vacations, increasing life expectancy and universal access to high quality health care. It put special emphasis on pollution and global warming and called for net-zero greenhouse gas emissions by 2050. Earlier two European movements, T-DEM chaired by Thomas Piketty and DiEM25 chaired by Yanis Varoufakis, had made detailed proposals that are also called Green New Deals. One of the authors of the latter, Ulf Clerwall, described it as ‘...basically an investment boom ... And yes, the European Deal will be debt-financed, but by a debt to ourselves and that will rapidly pay back with a high rate of return in financial, economic, social and environmental terms.’⁸⁸

The Green New Deal of the Piketty group, similar, but tax-financed, describes itself as follows: ‘This Budget, if the European Assembly so desires, will be financed by **four major European taxes**, the tangible markers of this European solidarity. These will apply to the profits of major firms, the top incomes (over 200,000 Euros per annum), the highest wealth owners (over 1 million Euros) and the carbon emissions (with a minimum price of 30 Euros per tonne). If it is fixed at **4% of GDP**, as we propose, this budget could **finance research**, training and the European universities, an ambitious **investment programme to transform our model of economic growth**, the financing of the **reception and integration of migrants** and the **support of those involved in operating the transformation**. It could also give some budgetary leeway to member States to reduce the regressive taxation which weighs on salaries or consumption.’⁸⁹

At this point we only comment that the Green New Deals remain mainly within the same economic common-sense framework where the world’s governments mainly remained when they tried to cope with the crisis of 2008. It is the framework graphed by

⁸⁸ Ulf Clerwall, Appendix One to *DiEM25 European New Deal*, <http://diem25.org> pp. 27-28

⁸⁹ <http://tdem.eu/en/manifesto/> p. 1

the diagramme from Marx we used to explain SF1 and SF2 in Chapter Four. Like Keynes, Marx and Smith the Green New Deals count capital formation followed by investment as the *causa causans* of production. First there is capital formation. Then there is investment. Then purchase of inputs. Then production. Then sale of products. Only out of the revenue generated by sales at the end of this chain does the worker receive a pay check (or the investor a profit) with which to satisfy her or his wants and needs. Investor confidence is the *sine qua non* of the system. The solution to a crisis is to restore confidence. In the case of Green New Deals confidence is to be restored with carefully targeted public investments. Considerations of community development, unbounded organizing and adjusting culture to physical reality (moral realism) are not absent. Ocasio-Cortez calls for ‘community-defined projects and strategies.’⁹⁰ while T-DEM and DiEM25 both mention participation and practice it in their own organizations. But they are not as central as they will become in the following paragraphs of this chapter. Brilliant suggestions from the European New Deal, Piketty, and the American green New Dealers Stephanie Skelton and Randall Wray will come back on stage in later chapters seeking solutions to the Fiscal Crisis of the State.

12. Introducing a Community Approach in the Swedish Model Context

The unbounded approach of South Africa’s Community Work Programme using public employment to catalyse community development contains in embryonic form a *transformation*. Redefining the problem, it asks a different question. Instead of asking how to achieve full employment, it asks how to achieve decent *livelihoods* for all. The right to a livelihood and the duty to do useful work are detached from the necessity to sell something. In Amartya Sen’s terms, an unbounded approach *supplements* market solutions with non-market solutions. After all, the point of economic stimulus measures is to make business more profitable by making it easier to get credit and by putting more money in the pockets of potential buyers. And the point of that is to comply with **Staggering Fact One**. If you bypass **SF 1** altogether with community development and sharing of surplus, and beyond that encourage unlimited imagination and creativity, you meet needs other ways.

⁹⁰ At p. 6 lines 16-17 of her Green New Deal Resolution. Introduced in the House of Representatives Feb. 6, 2019.

The dominant system depends on sales to generate profits, on expectations of profits to motivate investments, and on investments to fund increased production.

All this usually happens in the private for-profit sector. It is alleged to be necessary to raise the level of employment.⁹¹ But the level of dignity can be raised without raising the level of employment! To the extent that other dynamics get the work of the world done and put bread on people's tables and raise the self-esteem of all concerned, there is no necessity to risk destroying the value of the currency and /or to risk running up unpayable public debts and/or to go out on a limb declaring that loans will surely be repaid when it is likely that they will go into default --all to try to crank up a faltering profit machine. Profit does not need to be --and often is not--a troll under the bridge who must be bribed to allow food to pass from the garden to the mouth and stomach. CWP is one proof among many that post-modern life without sales and without profits is possible on a large scale. We like to imagine CWP as an example demonstrating norms that will organize a future when machines do the boring work while humans do what they always wanted to do but could not do because they were too busy working for a living.

But let us not rest our case on just one specific example, just CWP, and indeed on just a few of its sites where its mandate to use public employment to catalyse community development is taken seriously. Let us try to articulate in the light of the experience of the Swedish Model a general concept: community as guiding star.

We have suggested that a good question to ask when trying to facilitate necessary structural changes is, 'Are we building (good) community?' Now suppose it is 1973 in Sweden. The policy of replacing lost jobs in *solnedgång* industries with new jobs in *soluppgång* industries is not working. The *solnedgång* are too many and the *soluppgång* are too few and far between (SF 2). 'Swedish' industry is turning out to be not so Swedish. It prefers other soils when they are more profitable. (Modern nation-states exist *within* a world-system socially and historically formed by the constitutive rules of markets; they do not make those rules.) Now what do we do? Suppose we ask, 'How can we build (good) community? Would that make any difference?

Yes. It broadens the choices and deepens the commitments.

The controversial four-syllable word 'community' as it has been developed since chapter three, would have introduced into conversations in Sweden in 1973 (if it were not

⁹¹ Consider in this regard the discussions of employment guarantees and the threat of inflation in the writings of Randall Wray, for example L. Randall Wray (1999), 'Public Service Employment-Assured Job Programs: Further Considerations,' *Journal of Economic Issues*. Volume 33, pp. 483-490.

there already, which it well might have been) an ethic of care, or solidarity, that would support the unemployed. Compared to a liberal ethic, a care ethic reframes everything. It reframes giving to a beggar: Now the beggar may still get nothing for any number of good reasons, but the reason can no longer be ‘your problem is not my problem.’ Psychologists can still counsel people who are unable to set appropriate boundaries, but not because the criterion for the appropriateness of a boundary is individualist. This sea-change of worldview (a sea-change compared to liberalism, perhaps introducing no change at all and perhaps introducing some novelties in social democratic Sweden in 1973) changes the social status of the unemployed members of the community.

What I have in mind can be illustrated by my acquaintance with the ‘recovery’ of a pasta factory in Argentina after the crash of 2001. I have never had occasion to get to know the unemployed ex-employees of a shoe factory in Sweden. *Mil Hojas* was and is located in a neighbourhood of Rosario with anarchist traditions. I have been told that it was settled by anarchist immigrants from Italy and Spain in the early 20th century. When the business failed and the owner left, and the employees decided that their best option was to try to get it up and running again and operate it themselves as a worker-owned cooperative, extended families, political parties, volunteer professionals and community members generally (some in organizations, others just as friends) rallied around. During the several months it took to get the equipment running, family members went from door to door lining up advance orders for the eventual products. A volunteer accountant went over the books and put them in order. Her conclusions were pessimistic. The success of the business (it is still running today⁹²) in spite of her calculations can be taken as an example of what Luis Razeto calls ‘Factor C’.⁹³ The letter C stands for a number of Spanish words naming soft variables that have often spelled success when the hard numbers have predicted failure –soft variables like *Comprensión*, *Compromiso*, *Calor*, *Cariño*, *Compañerismo*, *Comunicación*, *Cooperación*, *Corazón*, and of course *Comunidad*. In such a scenario, the government, the unions, and the individuals concerned are only three among many sectors aligned for the common good.

This Argentine example might be classified under ‘deepening commitments.’ Under ‘broadening options’ we might classify in general a broad sense of history and anthropology that conceives the here-and-now as one among innumerable social orders,

⁹² <https://www.youtube.com/watch?v=SoEBXVplal0>

⁹³ www.uvirtual.net

Specifically, an example of broadening options encouraged by thinking in terms of building community would be considering, the option of reversing the decision to shut down uneconomic Swedish shoe factories.⁹⁴

13. Toward Making Growth (i.e. Finance) and Globalisation Governable

Beyond questions about how the achievements of the Swedish Model might have been saved, we have to ask whether in the light of the foregoing considerations, we can advance toward solving problems the Swedish Model did not even try to solve. The Swedish Model accepted the necessity of growth as it is standardly understood, and consequently --although perhaps unconsciously-- accepted the inevitability of eventual ecological disaster. It accepted globalisation, and ended up a victim of it. Its high wages and benefits proved to be incompatible with competitiveness. We conclude this chapter suggesting that an unbounded approach can open ways to transformations the Swedes after World War II did not attempt.

As a thought-experiment to think about the transition from today's unsustainable economy to a sustainable one, and at the same time to think about a transition from a non-feasible social democracy like the Swedish Model, to a feasible economic democracy, suppose that the entire world's textile mills and clothing manufactories close tomorrow. Surely the clothes already hanging in closets and parked in drawers would be enough to last humanity for at least a year, especially if people like us and probably you, who have too many clothes, would transfer them to people who have too few clothes. And especially if people darned socks and mended shirts.

Further suppose that all new automobile production stopped tomorrow. The people of Cuba lived for forty years with no new automobiles, keeping the old ones running. Surely if Cuba could do it, the rest of the world could also do it.

But what then would become of the people who used to work in the clothing and automobile industries? What pretext could be found for supplying them with money so that they could buy the necessities of life? What would cure them of depression, alcoholism, drug overdoses? How would senior citizens be cared for, if formerly they relied on pensions funded by profits from clothing and automobile firms? More generally:

⁹⁴ See Amartya Sen, *The Idea of Justice*. Cambridge MA: Harvard University Press, 2009. Sen argues that a broad information base, analysed with broad criteria, often leads to a decision that is on moral grounds superior to a narrowly economic decision

How would we organize livelihoods for all? Ah hah! It is not for no reason that we have combined a theoretical study with an empirical study of public employment programmes.

This thought experiment should make it clear that while to make growth governable we must free our minds from the pie image, we must also be aware of the real functions that in a twisted way today's dominant ideology performs, albeit badly. Although we live in a world with mass unemployment, we also live in a world with mass employment –much of which serves no real function.⁹⁵ When we ask questions like these, about how to organize human activity with logics different from the now dominant logic, then (even apart from the extreme examples given in the thought experiment) we are thinking beyond the bounds of economics.

We are like Kate Philip, when she attended an Organization Workshop presentation in Munsieville, South Africa, and there dawned on her the core idea that became CWP. We are looking for ways to make new ways of doing things operational. Now we are talking community development. We are talking management. We are talking organization. We are applying psychology and anthropology. We have given up on expecting any economic theory to save us. We are thinking post-economics, drawing on other disciplines that have learned a great deal about how to organize human activity.

The urgency of building real-world functioning exhibits demonstrating alternatives like community-driven public employment financed by recycling the social surplus⁹⁶ is driven home, when we consider what happens when governments see no alternatives. The following list is at once a list of constructive things to do to contribute to structural change, and a list of what misguided governments will oppose. When governments see no alternatives, they become hell-bent on raising GDP. A government that is hell-bent to raise GDP as much as possible come what may, will oppose:

- Reducing, reusing, and recycling because only new finished products count when calculating GDP. If I throw away my old shirt and buy a new one, GDP goes up. If I mend my shirt and wear it, GDP goes down.⁹⁷ If I repair my bicycle, GDP goes down. If I go into debt to buy a fancy new car, GDP goes up.

⁹⁵ See also David Graeber, *Bullshit Jobs*. New York: Simon and Schuster, 2018.

⁹⁶ Recycling the social surplus will be the topic of chapters ten and eleven.

⁹⁷ Throughout we assume here that non-commercial meeting of needs does not just leave GDP unchanged but lowers it by crowding out some commercial activity that otherwise would have been paid for.

- Family, because if parents care for their children that makes no contribution to GDP, while if they pay a pre-school nursery to care for them, GDP goes up. It probably goes up twice: once when the nursery is paid, a second time when the parent who would have stayed home with the kids goes to work and earns a wage. If grandma and grandpa babysit, GDP goes down. If a babysitter is hired, GDP goes up. If we cook a holiday dinner at home GDP goes down. If we go out to a restaurant it goes up. If we sit around the fire, play instruments and sing songs, it goes down. If we go out to a nightclub, it goes up.
- Many aspects of Community Development. As will be shown in more detail in the chapter after next, CWP multiplies what can be done with public funds by catalysing volunteer time and non-monetary resources. When the government spends money, that raises GDP. When volunteers work with in-kind donations GDP goes down.
- Home gardening and subsistence farming.
- Do-it-yourself projects, assuming that buying the tools and materials does not cost as much as it would have cost to contract workers.
- Meeting basic needs free or at low cost. When fewer things are free and more things are expensive GDP goes up. One reason why the GDP of the USA is the highest in the world is the high cost of health care there. In 2012, health care accounted for 17.9% of USA GDP.⁹⁸ Although the Scandinavians get the same or better health care,⁹⁹ they pay less for it and therefore their GDP is lower than it would be if they paid what Americans pay.

⁹⁸'Health Care, total (% of GDP)' at www.data.worldbank.org Click on *Indicators* and then in *Find an indicator*.

⁹⁹ According to the World Health Organization website, in 2012, overall life expectancy was 83 years in Sweden, 81.9 in Norway, 81 in Finland, 79.8 in the United States, and 79.5 in Denmark. In 2010, per capita expenditure on health was USD \$3758 in Sweden, \$5388 in Norway, \$3251 in Finland, \$8223 in the USA, and \$4464 in Denmark. *Health Costs – How the US compares with Other Countries* (<http://www.pbs.org/newshour/rundown/health-costs-how-the-us-compares-with-other-countries/> -)

- Leisure. If people retire or decide to work just one job, GDP goes down. If they keep working after retirement or extend their work week or moonlight at a second job, then GDP goes up.
- Decent working conditions. If people take coffee breaks, work an eight-hour day at a pleasant pace, and enjoy their work in circumstances where the consequence of their happy life is producing somewhat less, then GDP goes down. If working conditions are designed to squeeze every last drop of vendible commodity out of the employees, regardless of physical damage to their nerves and bodies, then GDP goes up.¹⁰⁰

When quickly glimpsed against a background established by today's common sense, economic growth appears to be an unavoidable imperative. When its ramifications are examined slowly and carefully, and in context, economic growth proves to be part and parcel of a world view that *sees* maximum monetization and maximum commodification *as* maximizing something that ought to be maximized. False!

Anyone who visits India should be able to *see* that the world measured by GDP and the world we see, when we look around us, are not the same world. India is on a roll when success is measured by GDP growth. But any visitor can *see* that whatever GDP is measuring, it is not measuring happiness. It is not measuring physical facts like air quality or water supply.¹⁰¹ Here we can take another cue from Lev Vygotsky, this time from his words: '*When we learn to see things in other ways, at the same time we acquire other possibilities for acting in relation to them*'.¹⁰²

Making growth governable is equivalent to making capital governable. (Remember that the reason why growth is an imperative and not an option is that the system is unstable without investment to compensate for a chronic insufficiency of effective demand.) On an unbounded approach, there are, in principle, an unlimited number of ways to make capital governable. We are featuring two, or rather two categories into which numerous transformative practices can be placed. One is pluralism.

¹⁰⁰ Fred Hirsch, , *Social Limits to Growth*. Cambridge: Harvard University Press, 1977. p. 16

¹⁰¹ See the chapters on Vandana Shiva, Arundathi Roy, and Manmohan Singh in Richards and Swanger, *Gandhi and the Future of Economics*, op. cit., and also Sen and Drèze op. cit.

¹⁰² Lev Vygotsky, *Thought and Language*. Cambridge MA: MIT Press, 1986 (1934). Quoted by Yves Clot *et al* *Entretiens en autoconfrontation croisée*. PISTES 2-1 2000. Paragraph 4.2. (<http://pistes.revues.org/3833>).

Strengthen non-capitalist (not just public) ways of meeting needs in harmony with nature to the point where if the capitalist sector grows very little, or ceases to grow, or shrinks, the system's redundancy makes it resilient. A second is to tie capital to territories and to functions. Pluralism we have already mentioned several times; the second we will elaborate below.

The Swedish Model was an early victim of globalisation. It worked when a Sweden that had been neutral during World War II could export profitably all the tradable goods it could produce. Then Sweden could afford social justice. It stopped working when countries with less social justice than Sweden industrialized and Sweden was undersold.

However - think on this all ye economists who think that David Ricardo and James Mill's principle of Comparative Advantage makes a logically air-tight case for free trade - what the Swedish workers lost; the Brazilian workers did not gain. The Brazilian economist Paul Singer has stated the operative principle succinctly: '*...neoliberal globalization levels the price of labour downward in all countries.*'¹⁰³

Singer goes on to write that the global marketplace for labour leaves so many people unemployed, precariously employed, and working for low wages without job security that workers do not dare to stand up for their rights. There are many standing in line to take their place if they complain. Labour legislation is not enforced, because workers usually do not dare call for its enforcement. When they do, they are routinely met with reprisals in the form of dismissals and/or plant closings. Workers do not even dare call for enforcement of the economic and social rights that are on paper guaranteed to them by the Constitution of Brazil.

In the light of experience in Sweden, in Brazil, and around the world, and in the light of what can be expected, given the constitutive rules of the game, two fundamental evils of ungoverned globalisation can be identified: exploitation of labour, and capital flight. Two ways to right these wrongs can also be identified:

1. Trade barriers. Forbid the purchase of goods produced in violation of international law, i.e. in violation of the treaties and covenants guaranteeing (on paper) economic and social human rights. The principle here is the same one that outlaws the buying of stolen goods.
2. Tie capital down to social purposes and to territories.

¹⁰³ Paul Singer, in his preface to *20 Años de Economía Popular Solidaria*. Brasília: Caritas Brasileira, 2004. Singer headed the Secretariat for Solidary Economics (Economia Solidaria) in the Brazilian government.

Implementing the first solution to the first evil encounters some massive obstacles, but that does not necessarily make its implementation impossible. One massive obstacle to trade barriers is that almost all economists believe in free trade. Paul Krugman wrote that if there were an Economists' Creed it would read, 'I understand the principle of Comparative Advantage and I advocate Free Trade.'¹⁰⁴ Krugman himself believes what he calls the Economists' Creed. He agrees with his colleagues that the case for free trade is logically air-tight. Nearly all the economics profession is convinced that the logical and empirical case for free trade is air-tight. Krugman acknowledges, however, that common sense is and always has been mercantilist.

The case for free trade is not air-tight. Logically, Ricardo and Mill made a slip when they naively treated nation-states, such as England and Portugal, as if they were united communities jointly owning the merchandise traded. Further, there is no logical reason to assume that the best purchase (as Mill assumes when he takes buying Portuguese or French wine to be England's best purchase) is the one that acquires a better product for a lower price, thus reflecting a more efficient allocation of the factors of production. Many other considerations apart from what economists call 'efficiency' can logically be relevant considerations when answering the ethical question which purchase is 'best.' Indeed, in any given case, 'efficiency' cannot even be defined without specifying objectives --efficient for achieving what objective? -- and enforcing international law is certainly, *cet. par.* a valid objective.

Far from being air-tight the case for free trade is an example of economic thinking such that the more you think, the more you think yourself into a hole that it is harder and harder to climb out of. The more you lose control of your life. The more your fate comes to depend on unreliable distant powers that do not have your best interests at heart and may not even know that you, or even people like you, exist.¹⁰⁵

Empirically, Ricardo and Mill lived two centuries too early to have had Paul Singer's experiences, and to have drawn his conclusions from them.¹⁰⁶

¹⁰⁴ Paul Krugman, 'Is Free Trade Passé?' *The Journal of Economic Perspectives*. Volume 1 (1987) pp. 131-144.

¹⁰⁵ Aristotle understood this. In his *Politics* he argues that no country can be self-governing in peace or able to defend itself in war if it is not self-sufficient. His ideal is not attainable today, but that is no reason to take the opposite of his ideal to be ideal.

¹⁰⁶ For a more complete critique of comparative advantage see Howard Richards, *Understanding the Global Economy*. Santa Barbara: Peace Education Books, 2004. Cecil Woodham-Smith shows how free trade ideology exacerbated the Irish famine in her *The Great Hunger*. London: Penguin, 1992. (1962)

In a world where the rich have too much and the poor have too little, a considerable sacrifice of the in-any-case-questionable-entity that economists call allocative efficiency is well worth its price, when the payoff is psychologically and sociologically intelligent forms of redistribution. The cure to the conundrums posed by the basic structure and its systemic imperatives requires –regardless of whatever else it may require-- the redistribution of wealth. The surplus should be shared.

Abstract concepts like ‘redistribution’ and ‘community’ often play out on the ground as simple paths, like donating, recycling, abstaining and volunteering; and the hardly less simple path of refusing to buy goods that are produced by engaging in gross violations of human rights. Mother Teresa titled her autobiography ‘*A Simple Path*’ to make the point that what she did anybody else could do.

14. More on Governability in the Financial Services Sector

We briefly suggested above that capital flight can be prevented and the governability of capital promoted by committing capital to a social purpose and by tying it down to a territory. Now we will give some examples:

The Municipal Bank of Rosario, Argentina, was mentioned previously. It is worth mentioning again. Its social purpose is prescribed by its charter. Its purpose is to provide credit for micro, small, and medium-sized enterprises. Such enterprises provide nearly all of the employment in the city. The bank interprets its purpose to include providing accounting services and seminars on business topics for its clients.¹⁰⁷ It makes operational the ideal of a people’s economy, whose aim is to provide goods and services and to make a decent living for domestic units. The people’s economy’s aim is not to accumulate capital. The municipal bank’s accounting and administrative support for small and micro business does not mean that the world can live in the future without large organizations. It does presuppose that part of the task of aligning other sectors constructively with big business and big government is achieved by building thriving people’s economies. They are tied to territories. Thus, local cultures are empowered to live well without subordination to the mega-forces that drive the global economy.

¹⁰⁷ Howard Richards, *Solidaridad, Participacion, Transparencia*. Rosario: Fundación Estévez Boero, 2008. Chapter Seven. (<http://www.humiliationstudies.org/documents/RichardsChapterSevenRosario.pdf>). (See also: Unbounded Organization - www.unboundedorganization.org).

The Municipal Bank is tied to one territory. Its territory is Rosario and its immediate environs. Its capital is not free to roam the globe to seek higher profits elsewhere. Its attachment to its territory was dramatically demonstrated in December of 2001 and the following months. On 1st December 2001, in the midst of Argentina's ongoing financial crisis, the national government imposed a decree (nicknamed the *corralito*) that froze all bank accounts. Unlike the other banks in Rosario - most of which were branches of multinationals based in other countries - the Municipal Bank bent the rules to serve its purpose. Its Board of Directors instructed its legal staff to look for loopholes in the decree that would allow the bank's customers access to the funds in their accounts. Juan Carlos Saavedra, the head of the Municipal Bank's legal department explains:

'We knew that our customers desperately needed access to their funds to stay afloat. We looked for legal alternatives to the *corralito* decree of the federal government in order to find ways to get their money to them. For example, we could make a new loan to them for which they would pledge their frozen funds as collateral. We kept many small businesses open that otherwise would have had to close, and many families fed that otherwise would have gone hungry'.¹⁰⁸

Although the decision to bend the law to serve the social purpose was mission-driven and not profit-driven, in the long run it proved to be profitable. Loyalty to purpose has attracted depositors and borrowers. The Municipal Bank has established a Foundation dedicated to spending its profits on good and beautiful works. The Municipal Bank Foundation's good works have included funding engineering studies to further the greening of the city. Its beautiful works have included funding public performances of Puccini's *Tosca* and *La Bohème*; Mozart's *The Marriage of Figaro*; and Verdi's *Aida*, *Othello* and *Rigoletto*.

Another example of capital chained to a purpose and a territory is India's National Bank for Agriculture and Rural Development (NABARD). It was established in 1982, by an act of parliament to 'uplift rural India'. It regards itself as a 100% CSR (Corporate Social Responsibility) financial institution. We quote some innovative small farmers NABARD has supported:

¹⁰⁸ Ibid. Saavedra has also been an employee-elected member of the bank's board. In the 1990s, he was a leader of resistance against privatizing the Municipal Bank. The neoliberal Carlos Menem who was president of Argentina from 1989 to 1999, attempted to privatize all the municipal banks in Argentina and he succeeded in privatizing all but two, the Municipal Bank of Rosario and the Banco Ciudad of Buenos Aires.

‘Hopefully we will be an example that will encourage other people to participate in organic farming. This is the direction in which WSSS and NABARD are steering this venture’.¹⁰⁹

‘The Farmers’ Club programme of NABARD attracted us the most. With assistance, we purchased farm machinery and milk animals for our members’.¹¹⁰

‘Previously one cow gave 8 litres per day. After I shifted to feeding them Areca sheath, they gave 10 litres of milk each. The quality of milk has also improved. It has become thicker. Previously I used to feed them pieces of Areca sheath. But now it is made into powder. So, it becomes easier and faster for the cow to digest it’.¹¹¹

(The dried fallen sheaths of the Areca tree have long been added to cow fodder in the Bangalore area. NABARD established simple processing plants to turn the sheaths into powder).

Even if it could be demonstrated with mathematical and scientific certainty that it could earn higher returns and multiply its capital faster by moving to a Caribbean tax haven and speculating in commodity futures, the capital that is managed by India’s National Bank for Agriculture and Rural Development would not move one centimetre away from where it is and from what it is doing. It knows what it is supposed to do and where it is supposed to be.

Much larger examples of capital tied to purpose and territory appear as the Chinese develop what they call ‘socialism with Chinese characteristics’.¹¹² Dani Rodrik observes that China’s reforms did not include establishing property rights as understood in the West. In general, ‘China’s economic policies have violated virtually every rule by which the proselytizers of globalization would like the game to be played’.¹¹³ One can, indeed, question whether Chinese capitalists own their capital at all in a full Western sense of ownership, since so much of what they do, including whether they can move it out of

¹⁰⁹ From ‘Sweet Success a NABARD’ YouTube video. WSSS is Wayanad Social Service Society. See www.wsssindia.com.

¹¹⁰ From: ‘NABARD’s Role in Development of Producers’ Organisation’ (another YouTube video available on Internet.)

¹¹¹ ‘The Areca Moment.’ NABARD Online (YouTube video).

¹¹² Many in the West, in contrast, view China’s shift away from central planning and toward using markets as the decisive means for allocating resources as conversion to pure capitalism. Eamonn Butler, for example, represents contemporary China as a nation converted to Milton Friedman’s economic philosophy. Eamonn Butler, *Milton Friedman: A Concise Guide to the Ideas and Influence of the Free-market Economist* Petersfield, Hampshire.

¹¹³ Dani Rodrik (op cit) - Chapter 9. Position 4143 in the Kindle edition. Comments on China are to be found throughout the book.

China, and where they can move it to and for what purpose, is governed by public policies. Projects financed outside China that are public-policy-led include building railroads in Africa and Asia, and building a canal across Nicaragua to link the Atlantic and Pacific oceans.

As of 2009, there were 140 ‘city commercial banks’ in China. Most city commercial banks have strong ties to their local government and are majority or wholly state owned.¹¹⁴ China’s Central Bank supervises all financial institutions. It controls foreign exchange. The Big Four banks are state-owned, and rank among the world’s largest. Xi Jinping, the Chairman of the Communist Party of China, in a series of speeches studded with exhortations to civic virtue drawn from the Chinese classics, asserts and re-asserts that in China ‘the invisible hand’ and the ‘visible hand’ work together for the Chinese Dream.¹¹⁵

Our aim is not to praise China. God knows that China, and to the best of our knowledge every country, has characteristics that disqualify it from being the ideal model for the rest of the world to copy. Our aim is to advocate a philosophy of alignment across sectors for the common good. ‘All sectors’ includes the financial services sector. But is not the financial sector (according to widely-voiced legends) the sector where numbers wreak vengeance on humans, where the nightmare of compound interest on overdue debt makes *homo sapiens* squeal with pain and wish it had never invented arithmetic? Is the finance sector not the sector whose only ethic is a second derivative; whose only purpose is to feed capital’s desire to accumulate ever more of its inward-looking self, its own quantity without qualities; where the capitalist is only the agent of capital, his soul the soul of capital? Is not the finance sector the sector *par excellence* where rational decision makers wearing plastic green eyeshades choose values for the independent variables that maximize the dependent variable, where the dependent variable is profit? Is not finance of all fields of endeavour the one farthest removed from bassinets and teething rings, from diapers and bottles, and from everything warm, smelly, dirty, and alive? Is finance not a field where psychology is irrelevant? It may well be true, as Melanie Klein teaches, that how we learn to cope with anxiety in early infancy has everything to do with whether we will turn out in later life to be loving, constructive and mellow; or whether we will be

¹¹⁴ The quote is from the Wikipedia article ‘Banking in China’.

¹¹⁵ Xi Jinping, *The Governance of China*. Beijing: Foreign Languages Press, 2014. See especially the seven speeches on the Chinese Dream, the three on core socialist values, and the three on ecology.

hostile, destructive, and self-destructive.¹¹⁶ But when it comes to finance, there is said to be only one rule. There is only one algorithmic imperative leading to only one answer and only one command, valid alike for the mellow and for the hostile, for the orally fixated and for the anally retentive: Accumulate! Accumulate! That is the law and the prophets. Is it not so?

Not necessarily. Our examples - and many others we might have cited - show that human beings are quite capable of circumventing even the most fundamental laws of motion of capital accumulation. That we are lived by powers we pretend to understand is too true, but it is not the whole story. Capital can be a means and not an end in itself. Capital's performance can be evaluated using social and ecological criteria. The accumulation of it does not have to be the standard by which everything else is evaluated. History does not have to be a process without a subject. We subjects are still here.

The next chapter will consider issues in evaluating CWP. Then the one after that will give a detailed description of how CWP works on the ground at one site. The next two, the last, will consider how to pay for expanding and improving CWP in the context of solving the general problem of the fiscal crisis of the state.

¹¹⁶ Melanie Klein, *Envy and Gratitude*. London: Routledge, 2001 (1956).