

## Explaining Swedish Corporatism: The Formative Moment

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The question addressed in this article is how to explain major intentional changes in national political systems. The theoretical point of departure is that political systems are usually so tightly structured that the prospects of actors introducing such changes are very small. The argument put forward is that only under certain periods of crisis can such changes occur; it is only during such *formative moments* that political actors change the institutional parameters or the nature of the 'game'. Empirically, the article extends this argument in an attempt to explain why Sweden's political system became highly corporatist. It has been shown that from a rationalistic approach, collective action – e.g. why individuals join and support interest organizations – is difficult to explain. Instead, an institutional explanation is offered. The empirical analysis shows how centrally placed politicians in Sweden during the 1930s, by changing the payoffs, could solve the 'free-rider' problem for both farmers' and workers' interest organizations. Contrary to earlier studies, the analysis shows that the breakthrough of corporatist principles in Swedish politics took place under a Liberal government strongly supported by the Conservative Party. The traditional connection between the Swedish Social Democrats and the corporatist nature of Swedish politics is thus questioned and the alliance between the Social Democrats and the Farmers' League in 1933 is given a new explanation.

In an international perspective Sweden appears to have unusually numerous and powerful interest organizations. Moreover, these organizations are thought to enjoy considerable influence over public policy (Cawson 1986, 99). Yet hitherto we have lacked general-level explanations for this relatively unique Swedish situation. A partial explanation is that a labor movement characterized by a strongly reformist orientation, and by ethnic and religious homogeneity as well, tends to produce corporative political institutions due to the inherent negotiational and organizational logic which such a movement possesses (Rothstein 1987). Another argument is that corporatism, as a system of political representation, had already acquired legitimacy in Swedish political culture *before* representative democratic government was introduced (Rothstein 1991). A third explanation is that the state (here treated as certain gifted and strategically situated politicians) structured some of the most important social reform programs in such a manner as to strengthen the position of critical interest organizations in Swedish politics (Rothstein 1990). This last argument implies that the strength of interest organizations may be considered the result of concrete

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*political* decisions, rather than a functional effect of such extra-political factors as the logic and tempo of class formation, or various other cultural, ethnic, and religious factors. The structure and behavior of the state thereby become central explanatory factors. In this context, the question is in what measure state action has furthered the growth and power of interest organizations (Lange 1987, 50 f.). This article is devoted to an investigation of this question.

## Collective Action and Individual Rationality

This study's theoretical point of departure is that political systems are usually so tightly structured that the prospects that actors may introduce significant changes are very small. The playing field, the rules of the game, the resources of the players – the institutional order, in other words – is at any one point in time a given, and so the political actors' room for maneuver is extremely limited. Under normal conditions, therefore, the possibilities of fundamentally changing the structure of the political system are small to non-existent. Yet political systems nonetheless change, at times both rapidly and thoroughly. During certain special periods marked by mounting social and economic conflicts and crises, it appears that possibilities of changing the rules of the political game arise. These *formative moments* of political history are distinguished by the fact that existing political institutions are so incapacitated as to be incapable of handling the crisis. In these situations, I argue, political actors can not only play the game, but can also change the rules. Political actors, in other words, are able to shape the political institutions of the future, at times even by prescribing rules favoring themselves (Rothstein 1990; cf. Cerny 1990, 4 ff.; Tsebelis 1990).

To point out certain moments in history as more important than others is of course nothing new. Such moments are often called 'critical junctures' (Collier & Collier 1992). What differentiates the notion of formative moments from the notion of critical junctures is the importance of action in the former, i.e. the *formative* in the formative moment. Work done in the 'critical junctures' tradition is mostly empty when it comes to the importance of agency and is therefore less interesting in relation to the agency-structure discourse which is the starting-point for this analysis.

If one wishes, then, to understand the development and strength of Swedish interest organizations, it is necessary to identify the relevant formative moment in Swedish political history, i.e. the point in time when the political game was revised so as to favor the rise of strong interest organizations. In a period of social crisis, the state can in principle adopt one of two approaches to various interest groups. It may choose to regard them as a cause of the crisis, and therefore as a hindrance to its solution.

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In this respect organizations are treated as a problem. Alternatively, it may consider that, irrespective of who or what caused the crisis, organizations are necessary partners in handling it. In this respect organizations are treated as part of the solution. Which approach the state adopts is critical, not just for how the crisis is managed, but also for what character relations between the state and interest organizations take in the future (Cerny 1990 part 1; cf. Olsen 1983).

A central problem facing every interest organization is that the benefits issuing from the organization's activity – a higher price or wage level, for instance – typically fall to non-members as well as to members. This obviously renders membership less attractive; indeed, joining the organization under such conditions verges on the irrational, since so-called free-riding is an available option (Olson 1965, 132). Thus, severe institutional barriers may prevent collective action *even* when individuals would profit by it. The emergence of strong collective interest organizations is therefore fundamentally mysterious, at least from a perspective seeking to explain individuals' economic and political behavior in terms of their self-interest (Bendor & Mookherjee 1987).

Explaining how strong interest organizations arose in Sweden is therefore a theoretical challenge in itself. For one thing, the socio-economic structure of Swedish society is not so unlike that of other countries as to make plausible a structural explanation based on the assumption that Swedish wage-earners, farmers or businessmen act according to a calculus of rationality different in kind from that employed by their counterparts in the rest of the world. In addition, it has recently been demonstrated that purely actor-based, so-called game theoretical models fail to explain how voluntary collective organizations come into being (Bianco & Bates 1990; Bendor & Mookherjee 1987).

Furthermore, it has been shown that even when such organizations arise (on what may seem to be the basis of non-rational behavior) they are highly unstable, as their members face the constant temptation to quit and thus draw benefit from the organization's operations without helping to defray its costs (Lange 1987). To explain how collective action can – despite its elements of irrationality and instability – arise on a large scale, these authors have begun to search for the explanation in institutional rather than actor-based terms. For example, they have investigated how systems of sanctions against those refusing to cooperate (the free-riders) can be arranged, while corresponding reward systems for those joining the organization (the solidaristic) are established. The problem, in essence, is how to create *institutional conditions* that change individuals' calculus of rationality (and in time their norms) when assessing whether or not cooperation and organization are in their interests (Bianco & Bates 1990, 133 f.; Rothstein 1990; Cerny 1990, 85).

## The Formative Moment in Sweden

To the extent that Swedish corporatism is an institutional arrangement affecting individual assessments, when did it arise? It is widely agreed that the 1930s was a highly significant decade for the long-term character of Swedish politics. Analysts have pointed in particular to the breakthrough of majority parliamentarism in 1933 – with the agreement between the Social Democratic Party and the Farmers' League – and the 1938 settlement between the employers' confederation and the trade unions over the rules of the game in the labor market (Korpi 1983; Katzenstein 1985; Weir & Skocpol 1985). If Sweden is stamped by a corporatist and collectivist democratic ideal, it is above all associated with these agreements the major driving force behind which is considered to be Swedish Social Democracy.

Yet such an assessment, I would argue, is a mistake based more on prejudice and wishful thinking than on facts. As I shall show, the decisive *breakthrough* for a collectivist view of democracy occurred *before* the crisis agreement of 1933. Indeed, this breakthrough can be given a precise date: 10 June 1932. It was a *liberal party* (Frisinnade partiet) which headed the government at the time that bore primary responsibility for the new policy; it mobilized the support of the Farmers' League and the greater part of the Conservative Party as well. The role of the Social Democrats was largely that of observers – in part negatively disposed, in part simply astonished.

In brief, the background was as follows. The international depression which began in the late 1920s struck agriculture, then the country's largest sector in terms of employment, with particular severity. The sharp international downturn in prices led to protectionism, which had the effect of increasing domestic competition and this in turn worsened the downward pressure on prices. This affected most Swedish agricultural products, but in 1931 the depression hit especially hard in a highly sensitive area, when the bottom fell out of the international butter market. As most small family-operated farms in Sweden had specialized in dairy products, many were threatened with serious economic difficulties (Seyler 1983, 171).

Some of the farmers had been trying for some time to counteract the fall in prices by operating cooperative dairies, which were intended to reduce competition through the formation of local cartels. The problem here – as with all cartel formations – lay in the difficulties of controlling the supply on offer in the market. This was rendered more difficult by the fact that a large majority of farmers did *not* join the cooperatives, but chose instead to take their chances on the market. The leaders of the cooperative movement judged it wholly impossible, even over the long-term, to 'achieve 100% enrollment on a voluntary basis' (quoted in Hellström 1976, 367).

Moreover, the development of productive forces had dramatically increased competition in one critical respect, with a chaotic situation in the

milk market as a result. Earlier, the farmers located near the cities and market towns had, by virtue of their relatively small number, been able to form supply cartels and thereby fetch a uniform price in the market for so-called consumption milk. A highly perishable commodity such as milk could not, in view of the technology of the day, be transported over especially long distances. Dairy farmers located near cities had therefore escaped competition. The conditions of competition changed suddenly, however, when trucks were introduced into the Swedish countryside. Now farmers located much further from the cities could undersell their more favorably situated colleagues. These so-called free suppliers, or 'bucket carriers' to use a more common term, supplied a competition that was ardently despised both by farmers active in the cooperatives and by those who, at a high price, had bought properties near the larger communities and had reckoned with being able to obtain a high price for their milk. Furthermore, at this point not only were individuals in competition with one another, but the breakdown of the export of butter forced different cooperative dairies to compete with one another as well, because national coordination and leadership did not exist. What cooperation did occur was not merely rudimentary, but also notoriously unstable (Seyler 1983, 170 f.).

These two developments – the international fall in prices and the greatly increased domestic competition – subjected agriculture to acute difficulties. One of the agricultural interest organizations – the large farmer-oriented Swedish General Agricultural Association (Sveriges Allmänna Lantbrukssällskap, or SAL) tried from 1929 onwards to achieve national coordination of the producer cooperatives by building a peak organization. Support for the effort was relatively modest, however, and did not suffice to control the market. In January 1932, as the crisis worsened, SAL submitted a proposal to the Liberal Minister of Agriculture, Bo von Stockenström, which entailed a qualitative increase in state support for that organization's efforts to gain control over the market. The objective was no less than to achieve a state-sanctioned 'determining influence over price and production conditions' (quoted in Hellström 1976, 357). The purpose was to stabilize the price level, i.e., to prevent the market from determining prices. Increased state support for the cooperative dairies was to take the form, above all, of *granting SAL the right to collect fees even from those producers remaining outside the organization*. The proposal also called for the cessation of competition between cooperative dairies (Seyler 1983, 172; Thullberg 1974).

In reality, SAL demanded the right to exercise a sort of *delegated state power of taxation* over all milk producers in the country, whether they were SAL members or not. SAL also demanded full power – together with the state – over the setting of prices. The organization's representatives would,

*in each individual case*, levy a charge on unorganized producers, so that no individual farmer would – in view of distance, herd size, etc. – find it worthwhile to transport milk to a purchasing center and sell it at a price below that established by SAL and the state. A portion of the revenues collected, moreover, would go not to the Ministry of Agriculture but directly to SAL, in order to help fund that organization's activities (Hellström 1976, 370 ff.).

This proposal was essentially a demand to enroll all producers in the organization on a compulsory basis. It would be accomplished not by enforcing a formal legal rule, but rather by employing a power of economic compulsion resting on the favoritism of the state. Even those refusing to join the organization would be forced to contribute toward defraying its expenses, as though they were members. SAL had earlier tried to establish a producer cooperative supply monopoly for other agricultural goods as well, but such efforts had not been particularly successful due to insufficient voluntary enrollment. The reason for this was that 'farmer individualism was too deeply rooted in the Swedish countryside. If the organizing of farmers were to be an appropriate means of combating the crisis, the assistance of the state's coercive power was required' (Thullberg 1974, 161; cf. Thullberg 1979, 51).

The Liberal Minister of Agriculture, himself a farmer and prominent member of the cooperative movement, endorsed SAL's proposal enthusiastically, and indeed wrote the greater part of the proposition, which was approved with great haste in the parliament's eleventh hour, on 10 June 1932 (Hellström 1976, 374 ff.). There are several reasons for dwelling on this debate, but particularly since the matter came to be viewed (including by the participants of the time) as a break with the previously accepted view of the state's relation to interest organizations, and accordingly as a turning-point in the history of corporatism in Swedish democracy.

## The 1932 Debate on Milk Prices

The foremost supporters of this proposal to collectivize the Swedish class of farmers forcibly were the governing Liberals, although necessary parliamentary support was garnered from the Farmers' League and from the greater part of the Conservative Party as well. Supporters argued that the severity of the crisis called for extraordinary measures and so previously established political principles would have to yield. But some bourgeois parliamentarians also offered interesting principled arguments against individualism and the free competition of the market. The Minister of Agriculture thus argued:

Those who earlier lived in the vicinity of cities and towns could probably be said to have enjoyed a sort of monopoly on the sale of milk to these towns. Now, however, it is possible to transport milk quickly and cheaply over long distances. And in certain parts of the country, where farmers had been able to achieve a relatively satisfactory price for milk – on account of how milk suppliers within the districts surrounding each town joined forces and held together – trucks laden with milk from other districts further afield suddenly appeared. As a result, the price of milk fell rapidly [Parliamentary minutes, lower chamber (LC) 1932–59, 14; compare upper chamber (UC) 1932–49, 23].

The Liberal agriculture minister considered such behavior to constitute 'disloyal competition,' and he deemed the resulting prices 'unreasonably low'. Evidently, the boundary had been reached for how much market economics the Swedish bourgeoisie could tolerate. The government's proposition aimed at counteracting the crisis by having the state see to it that 'the producers of dairy products form strong associations, rationalize and improve marketing conditions within the country, avoid disloyal competition, and hold together when it comes to the supply and price of their products' (LC 1932–59, 13).

In answer to the argument that the proposal entailed the forced organization of free producers in order to prevent them from competing with each other on the market, von Stockenström asserted that, since the compulsion consisted merely of imposing certain fees (rather than enforced enrollment in an organization), it was not, formally speaking, a mandatory measure (UC 1932–49, 25). Supporters of the proposition also stressed that its purpose was to hinder unscrupulous persons from benefiting from an organization's price-supporting activities without helping to pay for them (*ibid.* p. 34). In other words, the supporters of the bill wished to prevent so-called free-riding. MPs representing the Farmers' League further argued that farmers were often urged to follow the lead of other occupational groups and to organize themselves, but that it had 'proven extremely difficult to persuade farmers to take this path', and that little choice remained therefore but to call upon the help of the state (*ibid.* p. 38).

The support of the Conservative Party for the proposition was also interesting in view of the principles at stake. One of the party's MPs took the line that, if collective action was now to be required of farmers, it was at any rate better to 'have a form of organization in some measure controlled by the state' (*ibid.* p. 41). One of the party's top spokesmen in such questions, Nils Wolin, considered it absolutely necessary to dispose of the hated 'bucket carriers' and other dubious actors on the market: 'It is altogether clear that a reconstruction of the milk market . . . must entail the most thorough possible abolition of such irregular phenomena, in order that a unified cooperative farmers' organization can stand behind the sale of milk' (*ibid.* p. 45). He candidly acknowledged that the fee, and above all the manner in which it was to be collected, had a rather unusual character since it meant that:



free tradesmen – that is, independent farmers who refuse to become members of the dairy organizations concerned – are placed by the fee in a situation which, even if it does not immediately drive them by force into these organizations, nonetheless works in such a direction with time (ibid. p. 45).

Wolin claimed to be sensitive to the doubts, not least in Conservative quarters, which might be felt about such a construction, especially since he himself had always 'been a spokesman for the individual freedom enjoyed by the Swedish farmer, and an old enthusiast for the free Swedish farming class' (ibid.). What persuaded Wolin and the Conservatives to support the proposal nonetheless was the threat *to the very economic existence of this class*, i.e., against the collective, which meant that established political principles of individual freedom had to give way (ibid. p. 45 f.).

The leader of the Conservative Party, Arvid Lindman, allowed that voluntary organization would certainly have been better, but as the crisis was so acute, 'something must be done to bring these associations into being, in which case the state must helpfully intervene' (LC 1932–59, 31). The Liberal Prime Minister, C. G. Ekman, for his part judged it a great advantage that the producer organizations were to be granted control over the state apparatus supporting agriculture and stressed the positive aspects of the resulting 'intimate collaboration between the producer organizations, the government and the appointed regulatory organ' (LC 1932–59, 66). There was, in sum, no apparent hesitation in leading bourgeois quarters about a proposition which explicitly disavowed market solutions to structural economic crises, which openly foreswore the principle of the individual's right freely to dispose over his/her labor power and products and, most strikingly of all, which casually rejected the demand that citizens who so wish it be spared subordinating themselves to collective organizations.

Among the proposition's opponents, in addition to the Social Democrats, was one especially interesting bourgeois dissident, C. A. Reutersköld, a leading professor of constitutional law. Reutersköld sat in the upper chamber as an MP for the Farmers' League(!) and, perhaps even more notable in this context, served as chairman of the parliament's constitutional committee. He launched a powerful argument that, in light of existing constitutional principles, the proposition at hand violated the fundamental law of the realm. During the debate, and more exhaustively in a motion, he maintained that, while earlier propositions had come near, the one before the house clearly exceeded the limits laid down by the constitution – both in its spirit and in its letter (Motion, UC 1932–370). It was not constitutionally permissible, according to Reutersköld, to endow a private organization with the power, with a heavy arbitrary element to boot, to tax individual Swedish citizens and to force them to contribute to the maintenance of an organization which they had chosen not to join. He criticized the lack of legal protection for the unorganized against 'ad-

ministrative and private arbitrariness'. The proposition further meant, in the view of this unquestioned authority on the subject, that the ancient sole right of the Swedish people to tax themselves (through their parliament) had been set at naught. The fundamental law of the realm, in Reutersköld's view, set clear limits to corporatism in Swedish politics.

Interestingly enough, neither the agricultural committee nor any bourgeois MP chose to address the constitutional principles concerning the roles of individualism and collectivism that Reutersköld sought to raise. The committee members and responsible ministers contented themselves instead with sweeping assertions to the effect that circumstances were such that constitutional obstacles should not be raised, and that the proposed measures aimed at *servicing a general interest* (my emphasis, Hellström 1976, 382–386). The committee chairman washed his hands of the matter by frankly refusing to state his opinion of the constitutional question itself and openly acknowledging that it had 'quite simply been dismissed' in the committee's deliberations (LC 1932–59, 8). The committee majority acknowledged that the proposition had an exceptional character from a constitutional law standpoint, but thought the extent and depth of the crisis were such as to require special measures. The head of the Ministry of Justice, Gärde, put forth similar views: the 'reality [of the crisis]', he said, 'cannot fail to have an effect, when it comes to assessing the measure's legality'. This noteworthy remark can only be interpreted as meaning the Minister of Justice considered the provisions of the constitution to apply only during normal times and conditions. Especially interesting was the view of the minister that, since the proposal was intended to work 'to the interest of the whole and to the general good', the legality of the measure was not in itself so critical (ibid. p. 56 f.). A more profound expression for a collectivist and corporatist view of democracy can scarcely be found.

The Conservative leader in the upper chamber, Ernst Trygger, himself a jurist, prominent debater in constitutional questions and formerly chairman of the constitutional committee, did not take up the constitutional matter in his address either, referring instead to the crisis at hand (UC 1932–49, 60). The Conservative Party leader, Arvid Lindman, declared in his speech that, for his part, he wished to pass over the constitutional aspect of the question altogether (LC 1932–59, 29). Some bourgeois MPs expressed themselves more caustically about Reutersköld: his arguments were dismissed as 'theories and formulas' unworthy of close attention in the prevailing situation (ibid. p. 39). Another MP averred that, at certain times, 'one must in some measure set one's misgivings of principle aside. Necessity trumps law' (LC 1932–59, 27).

The Social Democrats' spokesman on the committee emphasized that his group also considered the proposal dubious from a constitutional point of view: 'it may be that we are making a bloodless revolution in this area'.

he said, which would come to affect the posture adopted toward such questions by future parliaments (UC 1932–49, 20). It should also be added that Reutersköld cannot be said to have attempted to use the constitutional argument to stop crisis aid to the farmers. On the contrary, he strongly supported such assistance, but demanded that it be accomplished in forms compatible with the fundamental law of the realm, and submitted a proposition of his own aimed at achieving this. His proposal suffered the drawback, however, that while it featured help to farmers struck by the depression, it included no support for the creation of a producer-controlled organizational monopoly.

## The Link to the Labor Market

What makes the milk price debate deserving of the label ‘formative moment’ is that the principles expressed in this debate had direct implications for another of the time’s most burning issues, namely the relation of the state to the trade union movement. This question, which generally went under the name of ‘third party rights’, had been a perpetual source of contention between Social Democracy and the bourgeois parties since the turn of the century. Since the middle of the 1920s the Conservatives in particular had carried on an intensive campaign to ensure that ‘neutral’ parties need not be damaged by the industrial actions of trade unions. Especially controversial was the demand of the Conservative Party and the Farmers’ League that strike-breakers be reckoned as ‘neutrals’, and therefore entitled to the protection of the state in their efforts to work at wages lower than those accepted by the trade unions. The Trade Union Confederation (Landsorganisationen, or LO) had of course strongly opposed such legislation, as it would seriously limit that organization’s effectiveness (Åmark 1989, 63).

Moreover, the issue of the state’s posture toward the labor market had become especially inflamed, since the bourgeois parliamentary majority had granted the National Unemployment Commission (Statens arbetslöshetskommission, or AK) permission to refer unemployed laborers in some cases to workplaces boycotted by the trade unions. This amounted to giving the unemployed a strong economic incentive to act as strike-breakers. Needless to say, this question touched the vital nerve of the reformist labor movement. Symptomatically, two Social Democratic minority governments had resigned over this issue during the 1920s (Unga 1976). This matter was linked to the agricultural question in that the bourgeoisie wished to solve the latter question by means of support to (or even direct creation of) a dense network of interest organizations, while they recommended that the unemployment crisis be solved by weakening

the trade unions (Unga 1976). And sure enough, Reutersköld himself had drawn this parallel in his speech during the parliamentary debate on supporting agriculture:

Is there one among those representing the bourgeois parties in this chamber who is willing to grant His Majesty's Government the prerogative of imposing, at the behest of industrial unions – the workers' trade unions – membership dues on unorganized workers on the grounds that they, in the degree collective contracts obtain, enjoy the right to the same wages as those accruing to organized workers? . . . The situation is perfectly analogous. I cannot see how, if one says no in the one case, one can say yes in the other (UC 1932–49, 28).

Reutersköld correctly observed that the choice of the 'bucket carrier' to remain outside an organization of agricultural producers did not differ in principle from the choice of the strike-breaker to refuse to join a union of wage-laborers. Both wished to act individually in the market according to their own lights, and on conditions other than those decided upon by the producers' organization.

In principle the Social Democrats advocated free trade and so were mainly opposed to the proposed agricultural price supports. Their opposition, however, was less than total. International protectionism had, among other things, rendered the free trade line increasingly obsolete (Thullberg 1974). Their criticism focused instead on some of the proposal's features in technical and administrative terms and on how the measure would injure consumers in an uncontrollable manner. Furthermore, they stressed how noteworthy was the bourgeois abandonment of their earlier positions on the appropriate relation of the state to interest organizations and the citizenry. Certain leading Social Democrats drew the same parallel as did Reutersköld, but defended – in keeping with their stance on labor market questions – the principle of state support to interest organizations. Per-Edvin Sköld, the party's foremost spokesman on agricultural questions (and subsequent Minister of Agriculture), argued that so-called free-riders could not be accepted in agriculture any more than strike-breakers could be accepted in industry. And for the same reason – namely, such persons benefited from the efforts of collective organizations to which they had not contributed. The proposition made the state, in Sköld's judgement, 'the executive committee of the farmers' cooperative movement' (Hellström 1976, 385).

Another party spokesman said it could be taken for granted that the proposition would sound the death knell of competition in agriculture, for the 'bucket carriers' would be taxed by the functionaries of an organization with wholly opposing interests. It could be safely assumed that such charges would be set as high as possible and that 'these representatives and functionaries of the dairy cooperatives will not endeavor, any more than do the representatives and functionaries of the trade unions, to treat the

unorganized with the greatest possible courtesy and kindness, when it comes to checking their declarations and collecting their dues' (UC 1932–49, 15).

Many Social Democratic MPs expressed surprise over the fact that the bourgeois parties, which so warmly and for so long had recommended the virtues (albeit in another economic sector) of 'free labor', now trod these sacred principles underfoot, and, moreover, treated the provisions of the fundamental law with the most unceremonious disregard (UC 1932–49, 17, 51, 61 f.). Gustav Möller, the once and future Minister of Social Affairs, asserted that this was, to his knowledge, the first time parliament had approved the forcible organization of Swedish citizens; but this did *not*, in his estimation, constitute a reason for rejecting the proposal. On the contrary, he declared, 'the idea that the state should force citizens to adopt certain organizational measures awakens in me the warmest sympathy'. He did not desire any 'society of general coercion', yet in certain situations the 'general welfare' required that measures of this sort be adopted (UC 1932–49, 51). He further emphasized, as did Sköld and Reutersköld, the significance of the precedent that had now been established, but stressed – in contrast to the last-mentioned, gentleman – its positive character. If the state could contribute actively to the organization of agriculture, then it could in similar fashion favor the organizing efforts of the trade unions.

## Economic Theories vs. Interest Politics

Before 1932, the bourgeois had propagated intensively for the view that the solution to unemployment lay in lowering wages. The argument, in accordance with the precepts of neoclassical economics, was that the trade unions had, on the strength of their monopoly over the supply of labor power, driven wages to an 'unnaturally' high level and that the total pool of wages did not therefore suffice to furnish all takers with work. Hence, economic recovery demanded not only that wages be lowered but also that unions be weakened (Unga 1976 chs 5 and 8; Lewin 1984, 169). In opposition to this notion, the Social Democrats had from 1930 begun to argue that the only way to surmount the crisis was to boost the purchasing power of wage-earners – the so-called purchasing power theory. It is important to recall here that wage policy is the hub of the trade union movement. A wage cut forced through by state policy always saps the strength of trade unions, while a wage hike has the opposite effect. The policies called for by opposing economic theories therefore had direct implications for the strength of the interest organizations. As Nils Unga has shown, it was not any new insight in economic theory, but rather solicitude for the union movement's organizational preconditions which motivated the Social

Democratic adoption of the purchasing power theory in 1930, even although this theory of course figured heavily in Social Democratic rhetoric (Unga 1976 ch. 10; Therborn 1988).

The scholarly literature has neglected hitherto to analyze the consequences of the fact that precisely the same 'Keynesian' economic reasoning lay behind the bourgeois proposal for agricultural assistance as behind the Social Democratic recommendation of a new unemployment policy. Like the Social Democrats, the bourgeois parties in 1932 disavowed the use of the market mechanism – wage and price cuts, in other words – for meeting the crisis. On the contrary, they claimed it was necessary to hold prices up. The Liberal government's proposition was based throughout on the assumption that the fall in agricultural prices was damaging, not just for the farming sector, *but for the economy as a whole* (LC 1932–59, 13). The Minister of Agriculture claimed accordingly that 'an improved purchasing power on the farmer's part should have favorable repercussions on the entire crisis situation' (*ibid.* p. 19). K. G. Westman, one of the Farmers' League's most important representatives, and a central actor in the crisis agreement the following year, argued that 'the theory of old Manchester liberalism', which formed the basis of the criticism of the proposal, was 'altogether incompatible with every form of social welfare policy'. Especially abominable was the notion that 'some sort of mystical phenomenon ensures that the individual who pursues his own interests works thereby to the benefit of the entire society' (UC 1932–38, 12). Even the Conservative leader, Arvid Lindman, one of the sharpest critics of Social Democratic unemployment policy, argued for the purchasing power theory in 1932. His words were unconsciously prophetic:

What the Social Democratic gentlemen should remind themselves of – I shall refresh their memory – is what it means if agriculture lies completely paralyzed, what it means for the purchasing power of the agricultural sector and its capacity to buy the products manufactured by industry in our country, where industrial workers – for whose situation these gentlemen express a limitless solicitude – work in large numbers. . . . It means quite simply a spread of the distress suffered by agriculture to the industrial sector, and thereby increased unemployment (LC 1932–59, 31).

The basic idea behind the new bourgeois agricultural policy was evidently to replace the market economy in agriculture with a planned economy in which the state, together with a central organization largely created and legitimized by it, would determine prices and quotas (Seyler 1983, 172 ff.). To argue as Lewin does that in 1933 the bourgeois parties (the Conservatives and Liberals) were still faithful during the crisis to the precepts of neo-classical economics is therefore incorrect (Lewin 1984, 169), for in respect of the economy's largest branch these parties had fully accepted the purchasing power theory. No faith in the market's self-healing powers was to be found here. There was, as Per Thullberg writes, no longer any place for free

enterprise in agriculture after 10 June 1932: 'individualism's time was past. With the approval of the regulation of milk, . . . this view had been enshrined in law' (Thullberg 1979, 53). The ease with which the bourgeois parties shed their individualist liberalism in 1932 suggests that a collectivist view of state and society has older and deeper roots in Swedish politics (Rothstein 1991).

## The Crisis Agreement of 1932 – a Question of the State and the Organizations

The logic behind the unexpected crisis agreement of June 1933 between the Social Democrats and the Farmers' League has been interpreted by earlier researchers in a strikingly uniform manner. Scholars with roots in altogether different theoretical traditions have agreed on a game theoretical type of explanation and have stressed the superior parliamentary skills and negotiating strategies of certain politicians (Lewin 1984; Therborn 1988). Yet this explanation supplies no tenable answer as to why these skills came to be employed just for achieving an alliance with the Farmers' League and not, as would have been more natural, with some other party. If, instead of focusing on the parliamentary nimbleness of individual actors, we examine the relation of the parties to the institutional objectives of different *organized class interests*, the answer to the riddle of the 1933 agreement becomes apparent. The key to the answer may be found in the special relation of Social Democracy to the trade union movement and in the similar connection of the Farmers' League to their cooperative movement.

Social Democracy's success in the 1932 election resulted in that party's formation of a minority government; Per-Edvin Sköld became Minister of Agriculture. For the Farmers' League, it was naturally a matter of the keenest interest just what stance the Social Democratic government would adopt toward the recently passed agricultural price supports. It was feared the Social Democrats would abolish the state support not just to agriculture as such, but above all to the organizing efforts of the cooperative movement, which had entered a particularly sensitive phase (Thullberg 1974). When the new government submitted its first proposition on support for farming in the Fall of 1932, however, it became clear that the Social Democratic leadership had greatly changed its views and had now accepted, save for some minor details, state support for the farmers' interest organizations. One of the reasons why the Social Democrats no longer preached the free trade gospel was that this line had been overtaken by events, now that even Great Britain – the last bastion of free trade – had imposed restrictions on imports (Thullberg 1974, 160 f.). Another reason for leaving agricultural

support undisturbed was that Sköld realized the prospects were slight for replacing the agricultural associations with state agencies as administrators of the milk regulations. He wrote in the proposition that it was important that the levying of fees 'be brought into closer correspondence with general legal principles'. By this he meant the proceeds of the fees should not be considered to belong to the producers' organization, but should instead be seen legally as state property. Furthermore, such revenues ought to be collected and administered by state agencies, which in addition to determining the level of the charge, should be able to decide over reductions and exemptions in individual cases. But such a change was *not* to occur. In the government bill, Sköld wrote:

From this viewpoint it is clear that the present arrangement – in which private organizations collect and administer the fees – should be abolished, and that this collection and administration should be assumed by state agencies. Since an organ for these tasks already exists in the form of the Swedish Association of Dairies, however, it is inappropriate for practical reasons to undertake such a re-organization. The arrangement of the fee system according to the principles indicated seems therefore not to constitute a hindrance to His Majesty's Government's wish to conclude an agreement with this organization, according to which the latter shall, under public control and in return for a certain compensation – which shall be covered by the revenues generated from the charges – attend to the collection and administration of the fees (Proposition 1933–258, 42).

Sköld also agreed to the use of a portion of the fees for the 'promotion of organizational work in the dairy business, propaganda and suchlike' (*ibid.* p. 39). There was probably an additional motivation on the Social Democrats' part for retaining the agricultural regulations intact – namely a strategic one. In the parliamentary debate on support to agriculture in February 1933 (four months before the crisis agreement), Sköld declared that the bourgeoisie had no reason to show malicious pleasure at the about-face of the Social Democrats in regard to agricultural policy. Instead, the new situation should serve as food for thought for the bourgeois parties, as to 'whether on the other side as well one must, in the present serious situation, revise principles that have proved incompatible with an effective assault on the present crisis – I have in mind especially measures for combating unemployment' (UC 1933–13, 7). Sköld stressed that the Social Democrats stood for the principle that the state should treat all social groups alike. It is certainly not too much to say that Per-Edvin Sköld, by structuring agricultural support as he did in the Fall of 1932, offered a direct strategic invitation to link the principles for agricultural support and for unemployment policy. This was, in fact, noted sympathetically by the Farmers' League's speaker in the debate, Axel Pehrsson i Bramstorp (Nyman 1947, 93).

The structure of farming support revealed certain points in common with the problems experienced by the trade union movement. From the standpoint of Social Democracy and the trade unions, the problem with



the state unemployment policy, as it had been formed by the bourgeois parliamentary majority (including the Farmers' League), was that it threatened the organizing efforts of the labor movement in *three* different and cumulatively decisive ways. First, the Unemployment Commission (AK) could refer unemployed laborers to boycotted workplaces. This directly undermined the effectiveness of the strike weapon. Second, the bourgeois parliamentary majority had enjoined the AK systematically to underbid the trade unions, by paying wages below the level specified in union contracts. Third, the bourgeois unemployment policy was an intentional granting of support to only about half the unemployed, the purpose being to hold down the general wage level. Taken together, these comprised a direct threat to the unions' most important power resource, namely their monopoly over the supply of labor power – or, in other words, the labor movement's ethic of solidarity (Rothstein 1986, 111 f.). This approach was, as Sköld rightly observed, diametrically opposed to the bourgeois policy in the agricultural field, for it built on the idea that the crisis could be resolved by *weakening* interest organizations.

The community of interests between the Social Democrats and the the Farmers' League consequently *lay above all in their view of the state's relation to the interest organizations most closely allied to the parties and from which the parties drew, or came to draw, their foremost support.* The agreement in June 1933 meant that all three threats posed by the Unemployment Commission towards the union movement were dismantled (Rothstein 1986). Thus, the manner in which previous research has portrayed the agreement (e.g., Lewin 1984, 180 f; cf. Weir & Skocpol 1985), as simply a parliamentary exchange of different types of monetary support (duties on butter in return for increased expenditure on unemployment policy), gives a quite false picture of its primary content. Social Democracy and the Farmers' League were joined above all in their view of the relation of interest organizations to the state, for they regarded the former not as obstacles, but as instruments for *solving* the economic crisis. They were also united in their collectivist view of democracy, in which the good of the individual depends on his/her solidarity with organized class interests (cf. Olsen 1990).

It should, however, be underlined that the agreement between the SAP and the Farmers' League was made possible also by a couple of structural factors outside the reach of the contemporary political actors. As Luebbert pointed out in his fascinating comparative study about the establishment of political regimes in interwar Europe, all countries where a Social Democratic regime was established had the following common denominators. First, there was an historical inability on the part of the urban middle class to establish itself as a hegemonic political force (as was the case in e.g. Britain and France). Second, the alliance between the labor movement and

the farmers was facilitated by the former's inability, or unwillingness, to organize the rural proletariat (agrarian laborers and/or smallholders dependent on the labor market) as a force against the economic interests of the family-operated farms. Should that have occurred, an alliance between organized labor and organized farmers would have been highly unlikely. If the Social Democrats were to have become engaged in a rural class conflict, an agreement with the farmers would have been difficult to reach. In the aliberal countries where the labor movement did organize the rural proletariat (e.g. Germany, Italy and Spain), the family peasantry was driven into the arms of the fascist movements (Leubbert 1991). As Lindström has pointed out, the fear of rising fascist tendencies probably also played a role among both parties' elites, forcing them to reach an agreement in order to prove the viability of parliamentary democracy (Lindström 1985, 166). Yet, while these structural and ideological factors are indeed important, they do not by themselves explain the specific corporatist nature and rationale of the compromise that took place in Sweden in 1933.

One may well wonder whether the Farmers' League might have reached as favorable a settlement if, in traditional fashion, it had sought support from the other bourgeois parties? The new party leader, Pehrsson i Bramstorp, gave the answer in the parliamentary debate on the agreement in June 1933. The reason for turning to the Social Democrats was that one of the bourgeois parties – the smaller of the two liberal parties – still stood by its free market principles and opposed the extended support to agriculture, which after all had taken the form of replacing the market with protectionism and regulations (Thullberg 1977, 302). This small group of urban liberals was the only bourgeois party which, throughout the crisis, held truly and dogmatically to the doctrine of economic liberalism. Consequently, according to Pehrsson, there was no stable bourgeois parliamentary basis, over either the short or long term, for a policy securing the interests of the agricultural associations. By striking a deal with the Social Democrats, the Farmers' League could rest assured of a stable, long-term support for the organizational efforts of its supporters, especially since it was clear that the Social Democrats – and their trade union supporters in particular – were at least as dependent on the agreement for furthering their organizational endeavors as were the League and its allies.

## Choosing Institutions in a Formative Moment

The result of the crisis agreement, then, was that the state attempted to master the economic crisis by cooperating with, and offering strong support to, the interest organizations representing farmers and workers. The rep-

representatives of both movements crafted an institutional solution favoring their future prospects for political influence. They were skillful not only in the short term; their actions proved to be wise for the long term as well, for the way in which they re-wrote the rules of the political game came powerfully to favor the organized class interests in whose name they spoke. The result was an enormous increase in the rate of membership in both farmers' associations and trades unions. During the 1930s the unionization rate among industrial workers rose from 63 to 86 percent, and among non-agrarian workers from 45 to 66 percent (Kjellberg 1983, 272, 33). It was during these years that the Swedish trade union movement achieved its internationally unique position of strength. Expressed in numbers, the increase in organization among farmers was also extraordinarily impressive: membership in producer cooperatives rose from 160,000 to 721,000 between 1930 and 1940, an increase of 450 percent. Another example is provided by the tenfold increase in the number of subscribers to the farmers' movement's newspaper during this period (Therborn 1988, 61; Michelletti, 1990, 62 f.). The stability of this arrangement was guaranteed by the formal coalition formed by the two parties in 1936, which was succeeded by the National Unity government of the war years, in which these two parties together held a majority.

The 'formative moment' approach applied in this analysis, in essence, means that the determinism of both the rational choice theory and approaches focusing on socio-economic structures, whether Marxist or not, can be transcended. The analysis proves the statement made by George Tsebelis that choosing institutions is the sophisticated equivalent of choosing policies (Tsebelis 1990, 162). Choosing institutions in a formative moment means that certain political agents are able to structure the future parameters of the political game. Political actors may, in other words, in fact design political structures.

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