

added to the debt constrains the ability of Rae and his colleagues to relieve suffering and reorder priorities in the province.

"Our task is to set taxes fairly, to spend wisely, to fight inequality, to promote justice and to guard against institutional arrogance and the abuse of power wherever we may find it," Rae promised after being sworn in as premier. An unprecedented number of women—eleven—were appointed as ministers, taking such high-profile portfolios as Environment, Health, Education, Community and Social Services, and Management Board. The expectations of the Ontario people are difficult to gauge, but coming to power in the teeth of a recession will not make the NDP's task easy. One senses that, if the government is seen as fair and takes serious actions in key areas such as the environment, it will be given the benefit of the

doubt. Some social movements have already indicated that, insofar as they believe this government belongs to them, they will restrain their immediate demands and try to prepare workable programs that can be implemented during the next four or five years.

Although the NDP has governed Manitoba for much of the last twenty years and Saskatchewan for much of the last forty-five years, coming to power in a province that accounts for 38 percent of Canada's gross national product is seen as a test of much greater magnitude. An NDP government in Canada's largest and most powerful province raises the profile and credibility of the party across the country. The Ontario government's ability to steer an ambitious agenda through a period of tough times will test its mettle and profoundly affect the prospects of the NDP as a national movement. □

Stefan Svallfors

SWEDEN: SOCIAL DEMOCRATS IN TROUBLE

Western progressives have long pointed to Swedish social democracy as an outstanding success story. As recently as the 1988 elections, the dominance of the Social Democratic Labor party (SAP) appeared unchallengeable. True, the party slipped somewhat at the ballot box, but so did the centrist and conservative parties. The Greens alone gained ground, winning parliamentary representation for the first time.

Two years later, polls indicate a sharp decline in support for the SAP. The party is backed by just 35 percent of all Swedes. This would translate into an electoral plunge of more than 8 percent compared with 1988—the worst showing since the early 1930s. The future of the SAP is more uncertain today than it has been for a long time. What happened?

The immediate problem is that Social Democratic voters question the party's economic policies. A good example is discontent over recent tax reform. The old tax system had become a jungle of deductions that permitted the highest income groups to pay less and less despite the system's strong progressiveness on paper. In addition, private companies devised a host of nontaxable perks to supplement privileged employees' paychecks.

Doing away with all this had the support of virtually all Social Democrats, but the reform package ended up destroying most of the system's progressiveness. Rates governing the direct taxation of earned income were lowered as many deductions and subsidies were removed. Consumer taxes and taxes on unearned income were raised. Because the tax rate for high-income earners was lowered, many Social Democrats believed that a fundamental principle was discarded. For them, the movement's identity depended on support for a system that redistributed wealth.

The SAP leadership also ran into trouble when, as part of the struggle against mounting inflation, it shelved one of its most important campaign promises—to extend paid parental leave from twelve to fifteen months. SAP women voters found this backtracking hard to accept.

Perhaps the SAP minority government's most serious tactical error was a proposal in spring 1990 to abrogate temporarily the right to strike. Its goal was to bolster a wage-and-price freeze. The central trade union leadership initially backed the proposal, but the negative reaction of the rank and file was strong. To many union members who consider the

right to strike their greatest source of strength, the proposal seemed a sign that the SAP no longer acted in their interests. Lacking support from any other party in parliament, the government backed down. But the damage was done.

Behind all this is a larger problem. The class compromise on which the "Swedish model" was built has begun to unravel. It was initially based on the notion that blue-collar workers, many white-collar workers, and capital all stood to gain from long-term although not friction-free—cooperation. For workers, the Swedish model meant full employment, generally rising living standards, a social welfare safety net, and a slow but steady equalization of incomes and living conditions throughout society. Higher paid white-collar workers may have resented narrowing the gap, but they still benefited from a growing economy and certain social insurance programs (for example, sick pay) that were income-based. For capital, a smoothly functioning labor market, flexible growth, and labor peace made income redistribution easier to swallow.

During the 1980s, each class became less willing to compromise. When the SAP returned to power in 1982 (after six years in opposition), workers agreed to a policy of wage restraint and profit maximization in order to wipe out a large budget deficit. As a result, the stock market skyrocketed while real income stagnated or declined; income equalization ground to a halt. Today many workers reject further appeals for wage restraint.

Some white-collar unions are militantly pressing for wage increases to reestablish the wage differential between their strata and blue-collar workers. Physicians, teachers, police officers, and nurses have won substantial raises from their public-sector employers. This intensifies disenchantment among blue-collar workers.

Meanwhile, capital has become more assertive. The Swedish Employers' Confederation (SAF) has undermined the highly centralized system of wage negotiations. The SAF insists on negotiating with individual unions rather than its traditional partner, the Trade Union Confederation (LO). Management's long-term agenda is for company-based bargaining, which would lead to serious rifts in the labor movement. As a result of the SAF strategy, the solidaristic wage policy (equal pay for equal work nationwide)—a cornerstone of the Swedish model—has broken down.

Swedish capital has also become increasingly internationalized. Today many leading Swedish companies have a large part of their workforce, as

well as their market, abroad. Volvo, for example, recently announced cutbacks in production in Sweden because its factory in Ghent, Belgium is more profitable. Unemployment is high in Belgium; fewer work days are lost to sickness; and the turnover is lower than in Sweden, where there is a labor shortage.

One consequence of employers' resistance to centralized negotiations, workers' discontent with backsliding on redistribution, low unemployment, and militant wage demands is rampant inflation. Inflation in Sweden is currently the third highest in Europe, following Spain and Portugal.

In sum, the Swedish Social Democrats face grim problems. There are, however, a few bright spots. Unemployment is remarkably low. While large parts of Western Europe have unemployment rates of about 10 percent, the rate in Sweden is less than 2 percent. The public sector is exceptionally stable. There have been no drastic cutbacks, in contrast to other Western European countries. The budget deficits of the early 1980s have been eliminated, and social welfare policy is firmly supported by the electorate.

In the political arena, social class remains the most important factor determining patterns in voting and public opinion. In contrast to other countries, divisions between public- and private-sector employees or between tenants and homeowners have been negligible. Furthermore, the three "bourgeois" parties are probably more divided than ever. As things stand, a coalition government of the conservative Moderate party (with its base among professionals) and the Center party (with its orientation toward the "little people") is improbable. The sharp drop in approval ratings of the SAP has not been accompanied by a corresponding upturn for the bourgeois parties. Instead, undecided voters now make up about 20 percent of the electorate—an extraordinarily high figure for Sweden.

The Social Democrats could conceivably recapture a share of their lost electorate. The party leadership thinks this likely once the positive effects of the tax reform become apparent. The tax reform agreement indicates that the Social Democrats now prefer to turn to the right for parliamentary support—support that the splintered and unpredictable Left party (formerly the Left Party Communists) is no longer able to provide.

To secure its future, the SAP must find a new project around which to rally the movement. The party congress last September was dominated by practical issues that lacked a clear ideological profile. Some traditional Social Democratic policies

are difficult to push right now—for example, redistribution. Further expansion of the public sector seems neither possible nor desirable. The most promising path may be to return to the issues of work life and workplace democracy that the SAP put aside long ago.

Within parts of the labor movement there are rumblings about the need for a “solidaristic work policy,” which would raise themes such as the working environment, the content of work, and codetermination. Some progressive employers have responded favorably to these concerns because they see reforms as a way to increase the flexibility and quality of production and to cut absenteeism and job turnover. A solidaristic work policy may contain the embryo of a new Swedish compromise.

It remains to be seen whether the Social Democrats will reconnect with these traditional issues of the workers’ movement. So far, the party’s reactions have been cautious. But even if the SAP does focus on the quality of working life, the strategy will fail if Swedish companies engage in “social dumping,” that is, if they move to places where unemployment is higher and social welfare less generous. As long as they can find a less expensive and more malleable work force abroad, Swedish capitalists will have little incentive to reform in Sweden. In the end, the SAP’s domestic policies will not be the determining factor. Instead, the character of Western Europe’s integrated market and the future direction of Eastern Europe will largely determine the fate of the Swedish model. □

Thomas E. Weisskopf

ECONOMIC AND POLITICAL PROSPECTS IN EASTERN EUROPE

As the waves of popular revolution swept across Eastern Europe in 1989, great hopes were aroused for the future of the East European nations. The prevailing view in the West was that, once liberated from the oppressive communist yoke, these countries could and would soon develop into economically dynamic democratic market-capitalist societies. Some doubts remained about Romania and Bulgaria; but surely East Germany, Poland, Czechoslovakia, and Hungary could be counted upon to join the international capitalist order.

On the left there was a quite different hope. It appeared to many of us that workers, students, and intellectuals, having played a prominent role in most of the revolutionary movements of the 1980s, might be able to combine a new democratic politics with the ideological legacy of socialist commitment to egalitarianism and economic security in constructing a democratic socialist order that would avoid the worst features of both bureaucratic collectivism and market capitalism.

One year later, the ground for optimism on the left has been severely undermined.* The great majority

of people in Eastern Europe want nothing more than to become part of the “common European home” as soon as possible. Tired of social and economic experiments, increasingly aware of the huge gap in standards of living between Western and Eastern Europe, they are eager to embrace the “tried and true” institutions of Western market capitalism.** It is not only the old ruling communist parties and their hierarchical, bureaucratic economies that have been discredited; even much more benign forms of public enterprise are viewed with suspicion. Socialist and social democratic parties have fared poorly in elections in East Germany, Poland, Hungary, and Czechoslovakia.

Poland, Czechoslovakia, and Hungary have elected governments committed to dismantling the old state-dominated structures and to promoting the spread of markets and the growth of private

discussions I had with numerous East European social scientists during a trip to Poland, Czechoslovakia, and Hungary in the summer of 1990.

** The great irony here is that the institutional reforms well underway in Poland and Hungary, and beginning in Czechoslovakia as well, constitute an enormous socio-economic experiment with a highly uncertain outcome.

* My observations in this article are based largely on