

# *POLANYI FOR THE 21<sup>ST</sup> CENTURY*

*Swedish developments in the commodification of land,  
labor and money*



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## 1 Introduction

“19<sup>th</sup> century civilization has collapsed”. So starts the Karl Polanyi 1944 masterpiece, *The Great Transformation*. So far, 20<sup>th</sup> century civilization has not collapsed, although the agreements that contributed to holding it together are breaking up. An EU that has been ever expanding, encompassing more and more countries and policy fields, is losing the UK as one of their most significant members. Donald Trump got elected in 2016 on a platform that was aggressively anti-trade and anti-liberal. All over Europe there is a renewed interest in nationalism and right-wing anti-liberalism. There are many attempts in describing this move; each country can look at specific policies and events that might have spurred this movement, but none of these events or policies are the same across the entirety of the Western World. What is the reason for this spur of right-wing and anti-liberal movement in many Western countries? This thesis argues that Polanyi may hold some answers to why this new wave of social discontent is occurring, which this thesis shows by examining Sweden’s movement into liberalism.

## 2. Literature review

Following a three-stage process, this literature review is structured as follows. First, it will provide an insight into *The Great Transformation*, its concepts and conclusions. Second, it will highlight some literature written using Polanyian concepts and showcase how these have been used in economic thought in various academic fields. In a third stage, thereafter, this literature review will briefly go through other works in recent Swedish economic history that use Polanyi.

### 2.1 Great transformation

This thesis begins with an examination and brief summary of the main book it is based on, *The Great Transformation*. A crude, one-sentence, summary of the book would be something along the following lines: it is a book that points out the economic factors leading to the outbreak of the Second World War. The dominant factor was, according to Polanyi, the utopian project of setting up a self-regulating market. Polanyi argues that, throughout history, the state has deliberately decided social and economic conditions, with some type of welfare in mind. Since industrialization, however, ideas about free-market, *laissez-faire* economics, made their way into the political mainstream. Polanyi is deeply critical of this development,

and contends that setting up a self-regulating market is a utopian project (Polanyi 1944, 3). It requires society to be divided up into two separate spheres, an economic and a political one (Polanyi 1944, 74). When this is the state of society, Polanyi says the markets are *disembedded* from society. When markets are disembedded, the society is a *market fundamentalist* state; belief that the market will sort out all problems found in society. The opposite, when markets are part of society and serve social functions rather than itself, it is a market *embedded* in society - or an *embedded market*. These terms are important to understanding Polanyi and Polanyi-related scholarship. Society becomes disembedded when certain activities are incorporated into the market and treated the same as other, regular, goods. Polanyi calls these “goods” *fictitious commodities*, which consist of *land*, *labor*, and *money* (Polanyi 1944, chap. 6). Subjecting these to the supply-demand price mechanism, which is central the free market is essentially what creates the social discontent. To quote from the book:

“But labor and land are no other than the human beings themselves of which every society consists and the natural surroundings in which it exists. To include them in the market mechanism means to subordinate the substance of society itself to the laws of the market.” (Polanyi 1944, 75)

When Polanyi talks about land, he concentrates on the land enclosures ongoing in the United Kingdom since industrialization; in the process of which people were removed from their lands and thrown into the labor market (Polanyi 1944, chaps. 3, 6). Regarding labor, Polanyi saw that the previous safeguards for working conditions were removed as a result of conservative and liberal thought in the 19<sup>th</sup> century (Polanyi 1944, 122). Labor, like other goods, were subject to the demand-supply price mechanism, although with certain protections and benefits. The quote from the book “*All along the line, human society had become an accessory of the economic system.*” (Polanyi 1944, 79), still rings true for our society, as much as it did for the one Polanyi grew up in. Lastly, the fictitious commodity of money also is discussed by Polanyi. Money is not produced to be consumed, but instead serves other purposes. In a later book, Polanyi defines the uses of money in four categories:

1. Payment
2. Standard of value
3. Store of wealth

#### 4. Means of exchange (Polanyi and Pearson 1977, 102)

Chapter 16 of *The Great Transformation* describes the economic history of money leading up to the gold standard and central banking, and in other works Polanyi has written several chapters describing money uses in primitive and archaic societies (See: Polanyi and Pearson 1977; Polanyi 1971). This thesis is going to discuss money as a fictitious commodity, but readers familiar with the events leading up to the 2008 financial crisis, and words such as *collateralized debt obligations* should recognize the concepts. The fictitious commodity of money is today mainly understood as finance (Hollander 2018, 4). In later chapters this thesis will examine how these three commodities became recommodified after the 1970s.

The final Polanyian hypothesis, and perhaps the most recognized one, is necessary to discuss; the *double movement*. The two movements are essentially one move towards free-market liberalism, and the other is a move against it, in either the form of *fascism* or *socialism*. In the final chapter of *The Great Transformation* Polanyi writes the core of this argument:

“The discarding of the market Utopia brings us face to face with the reality of society. It is the dividing line between liberalism on the one hand, fascism and socialism on the other. The difference between these two is not primarily economic. It is moral and religious. Even where they profess identical economics, they are not only different but are, indeed, embodiments of opposite principles. And the ultimate on which they separate is again freedom. By fascists and socialists alike the reality of society is accepted with the finality with which the knowledge of death has molded human consciousness.” (Polanyi 1944, 267)

This passage is essentially the inspiration for this thesis. European, not to mention United States', politics today is defined by the rise of populism (Lewis et al. 2018). Moreover, our economic organization is certainly characterized free-markets and global liberalism.

## 2.2 Modern Polanyi revisits

Modern readings of Polanyi tend to focus on different parts of what he wrote. There are those who focus on Polanyian methodology, such as James Ronald Stanfield, who ties Polanyian

concepts to its intellectual counterparts (Stanfield 1986). Work like his tend to lean towards more socialist understanding of Polanyi. In *The Economic Thought of Karl Polanyi* (1986), Stanfield outlines how Polanyi is critical of *how economists conduct economics*, in what Polanyi calls the *economistic fallacy*. Basically, the observation is that economists commit the *fallacy of misplaced concreteness*; meaning that they mistake the economy for being possible to be measured by abstract economic models (Stanfield 1986, 42). Further, the way economists think about the economy is in conflict with empirical examples of how society has previously functioned. When Adam Smith said that humans have a natural instinct to haggle and barter, he was incorrect. Historical examples show that the primitive economic societies were first of all much less regulated, and secondly, they had less to do with maximizing individual gain (Stanfield 1986, 59). Therefore, a crucial mistake of economists has been to mistake the market economics for encompassing all economic activity. Stanfield brings up many more concepts in his short book, but I also need to mention another methodological aspect of the book. Polanyi was convinced that social anthropology and economic history were better methods for understanding the economy (Stanfield 1986, 60). These points are important to what I am trying to achieve in this thesis, and there will be a short methodological discussion regarding these concepts later on.

John Ruggie is another important expander of the Polanyi-analysis. In the post-war era, top politicians were wary of the deleterious effects of market forces, and the subsequent economic consensus was molded by this wariness. This period is popularly called *Keynesianism*, but Ruggie uses the term *embedded liberalism* to describe how the liberal free-market society was kept in check by state intervention. These were for example the erecting of a welfare state and the full employment target (Ruggie 1982, 393–98). This concept is widely used in subsequent works that employ a Polanyian analysis.

A different way of using *The Great Transformation* is done by the two sociologists Margaret Somers and Fred Block. The later chapters of their book, *The Power of Market Fundamentalism*, are dedicated to applying Polanyian concepts of the double movement to US politics in the 20<sup>th</sup> century. Focusing on the Republican party's language to discredit welfare programs in support of poor people, they observe the movement towards more far-right positions among the republican constituents, using the language of nationalism to

deflect from market dislocations (Block and Somers 2016, 201–2). Interestingly, their book was released just two years prior to the election of Donald Trump; a political situation which supports their argument further. In the book, they focus on hurricane Katrina that hit the south-east coast of the United States in 2005 and the 2008 Global Financial Crisis, as two events of great importance for the lost trust in the liberal state to effectively aid regular people (Block and Somers 2016, 86, 111). The book does however reserve some praise for European politics, and points towards welfare state solutions within a capitalist system, which is in contrast with how Stanfield criticizes the fundamentals of *economistic* thinking. Somers & Block understand the reasons why the far-right in the US are rising. But the authors point to solutions which have been present during an equal rise of far-right nationalism in Europe. For instance, they put forward an interesting concept for understanding market fundamentalism by using concepts of Albert Hirschman, in particular his theory of the *perversity thesis*; that conservatives will use a certain language to discredit welfare programs, which center-left parties have been bad at countering (Block and Somers 2016, chap. 6).

Another work that uses Polanyi's *The Great Transformation* is Kari Polanyi-Levitt, Polanyi's daughter, with her book *From The Great Transformation to The Great Financialization* (2013). It serves as both a reality check and a source for important insights. Firstly, Polanyi-Levitt recognizes that the people facing either starvation or working under inhumane conditions are mainly not Europeans; like they might have been under the *New Poor Laws* that Polanyi writes about (Polanyi 1944, chap. 14). Instead, she mentions for example the three million displaced Mexican peasants as a result of the NAFTA agreement. Further, Americans lost their jobs on the assembly lines and some two million jobs were created in the maquiladora zones; but the big winners in all involved countries was the capital owning class. Mexican and American workers alike suffered the consequences and dislocating effects (Polanyi-Levitt 2013, 248). And the jobs in the maquiladoras are still characterized by low wages, bad conditions and violent repression of attempts at unionization (Bacon 2015). The reembedded markets of the neoliberal era is characterized with a move Polanyi-Levitt calls "the great financialization". Under neoliberalism, Polanyi-Levitt says, that "In [the] Anglo-American variety of capitalism, finance has become decoupled from production, and the capital market has lost its useful function of judging the long-term productive capabilities of different firms" (Polanyi-Levitt 2013, 186).

### 2.3 Polanyian analysis of Sweden

Sweden is recognized as a country with solid labor rights and benefits, and this has not disappeared completely since the process of neoliberalization started in the mid 1980s. There is however a theory that touches upon this issue and fits the narrative, *The Precariat: a new dangerous class* by Guy Standing (2014). Standing's theory is that there is an emerging class of people in precarious existence, either in work or as unemployed. In essence there are deprived of what one would associate with citizenship; such as social benefits, vacation time, ability to plan for the future and being able to make our voices heard. The precariat is comprised of people who do not have these benefits, due to their form of employment. Temporary and part-time work are two examples of employed who do not enjoy the typical benefits of citizenship in today's developed countries. In an earlier book, Standing examines how the project to decommodify labor after the Second World War essentially failed; he calls it fictitious decommodification (Standing 2009, chap. 2). The target of full employment meant that a great deal of self-blame was put on to people in unemployment, which Standing identifies to echo the practices of the *Speenhamland 1795 era*<sup>1</sup>; a period extensively discussed in the Great Transformation (Standing 2014, 143; Polanyi 1944, chap. 7). It did leave labor vulnerable for the recommodification that happened once neoliberalism became dominant. Labor in welfare state was comparatively expensive, and with the emergence of the Newly Industrialized Countries (NIC) and Japan, unable to compete. Outsourcing, cheap migrant labor<sup>2</sup> and 'casualization' (shift from permanent to short-term employment) all put a strain on the comfortable working conditions found in the previous era (Standing 2009, chap. 3).

Moving to a Polanyian analysis of Sweden, the Swedish business economist Ernst Hollander wrote a chapter in the book *Theory and Method of Evolutionary Political Economy : A Cyprus Symposium*, entitled "The contemporary relevance of Karl Polanyi – a Swedish case" (2017). In it, he explains the decline of the so-called "Swedish model" starting in the 1970s. The model itself builds upon equalizing wages, keeping inflation low, and increasing productivity, through

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<sup>1</sup> The Speenhamland 1795 era ensured that wages were at least high enough for laborers to buy a certain amount of bread. Polanyi's analysis focus on this aspect of the laws, but Block and Somers (2008) go more in depth of the various labor protections in place during this era in chapter 5.

<sup>2</sup> Both legal and illegal. Standing mentions the systemic hiring of illegal migrant labor in the US, but this is to some extent also true for Sweden, one example being regarding Thai and Bulgarian migrants working for cheap and under despicable conditions in Swedish berry picking industry (Standing 2009, 69–70; *The Economist* 2012).



strong unions cooperating with the social democratic government, who remained in power between 1932 and 1976. The model relies on the extra governmental profits being reinvested for social purposes, and that the wage structure remains solidary. This worked in the time of post-war *embedded liberalism*, but during neoliberalism the extra profits are exported elsewhere (Hollander 2017, 3). Hollander also points to the financialization process in Sweden, especially those directed at health, education and other welfare services, and states that the financialization that begun in the 1980s is detrimental to understanding the root of the decline of the Swedish model (Hollander 2017, 13). This process was especially boosted during the 2006-2014 years under the center-right Reinfeldt rule, where many child- and elderly services were sold to venture capitalists, power shifted from unions to employers, and cuts were made to social security benefits (Hollander 2017, 8). Another important contribution of Hollander is the introduction of *semi-fictitious commodities, namely health, education and welfare services*, which he later refers to as fictitious commodities of the 21<sup>st</sup> century. As he argues, these too, should not be produced to be bought and sold in the market, but rather function as important fabric in the modern society (Hollander 2017, 9, 2018, 9).

## 2. Research Question

Polanyi has a theory on what is required for a state to bring about a self-regulating free-market society, which he means is inherently destructive and leads to social unrest. The process of commodifying land, labor and money is fundamental to disembedding the market. And when the market is disembedded, the countermovement will emerge as a result. Therefore, what will be investigated in this thesis is the process of commodification of the fictitious goods of land, labor and money, and if this has led to a subsequent countermovement. In other words, *how is the double movement observable in Sweden?*

## 3. Theory and Data

This thesis will use the theory found in *The Great Transformation* and apply it to Sweden. More specifically, it will focus on how the transformation of the fictitious commodities of money, land and labor have shaped the political landscape in Sweden. Below is an outline for how the concepts will be used in the thesis, as well as where the data for measuring these variables comes from.

### 3.1 Money

Money, as a fictitious commodity in a market society, is finance. When talking about money, this thesis specifically looks at the deregulation of finance and its subsequent effects. In the first chapter of *The Great Transformation*, Polanyi argues that the international world order at the time of writing rested upon four institutions: the balance of power, the international gold standard, the self-regulating market, and the liberal state (Polanyi 1944, 3). The gold standard, Polanyi says, was the most crucial one and once countries went off gold, the rest of the institutions were sacrificed. The gold standard kept market prices stable, and under the threat of deflation, kept market forces somewhat in check. In Sweden, a series of crises led up to the floating of the Swedish Krona, deregulation of finance and disembedding of the market. Due to the limited scope, this thesis will focus on the rate of indebtedness in the Swedish population, which has been one of the results of the deregulation of finance. While one could write an entire book about the deregulations of finance and its consequences through a Polanyian lens, this thesis focuses on how this concept interplays with land and labor.

In the chapter on money, the deregulations of Sweden's credit market in 1985 and the events that succeeded it. Svensson wrote a report for the Swedish department of finance about the so called *1985 November Revolution* (1996), which is a good source explaining arguments for the deregulation, and its history. Further, this thesis will also look at the change in taxation law in 1990/1991, through the use of Henrekson and Stenkula's work *Swedish Taxation: Developments since 1862* (2015), which gives a comprehensive background as to why the reform in 1990/1991 represented a shift in Swedish economic doctrine.

Another variable related to money that will be discussed is the concentration of capital within Sweden. Piketty, in his blockbuster book *The Capital in the 21<sup>st</sup> Century* (2015) uses data from Sweden to graph long term concentrations of capital within Sweden, and provides an invaluable source for inequality analysis. This will be used in conjunction with the commonly used GINI index, relying on statistics from Statistics Sweden.

### 3.2 Land

In Polanyi's *Great Transformation* land as a concept is a fictitious commodity because it is simply the nature in which man exists, but in analytical practice, Polanyi focuses on the

enclosures and how they physically moved people in order to create class of people who would sell their labor. When Polanyi talk about the commodification of land he thus means it in two ways; the destruction of nature and the removal of man from it (Polanyi 1944, 76). The destruction of nature itself will not be addressed in this thesis, but it is certainly befitting a Polanyian framework. Climate change, a political issue that engages many, especially young people, is predicted to bring devastating effects to public physical and mental health, poverty rates, and the nature around us (Fritze et al. 2008; Ojala 2012). Because this is a paper on just the Swedish case, the environmental degradation of nature shall not be analyzed. Firstly, Sweden is not a large polluter, which might make it less likely that political discontent is directed towards the state (Burck et al. 2018). Secondly, the connection between climate, money and labor is less clear than the connection between housing and the other two variables. However, in a longer work using Polanyian theory, destruction of the environment as a source of political discontent would be advisable to include.

In this thesis, land will be defined as housing. This is for three main reasons. The financialization of housing has led to a situation where people are removed from areas where they otherwise would want to live. Housing has become precarious, and should one lose income there is risk of also having to move somewhere else. Secondly, the data on house prices allows us to analyze long term trends and compare the housing situation before and after commodification of land. Finally, since Polanyi takes a long-term perspective of land enclosures, he analyzes the effect of initial industrialization, and how people were forced to move to manufacturing cities. This is no longer the case, as many jobs are instead concentrated in the city and life quality in rural areas are deteriorating (Eurofound 2019).

Housing in a market society is necessarily treated as a commodity. The market dictates the price of both land, location and attractiveness of the housing. Because not everyone can live in the most central areas, this is going to be treated as a given. Instead, when I discuss housing as a fictitious commodity, I am mainly going to analyze the difference in interests of capital and people when it comes to housing, and argue for that the current setup creates socially dislocating effects. The chapter on housing will be split into two parts, one on purchased housing and one on rented housing. In the analysis, the case that both types of housing have been subject to recommodification through separate means will be made. But it is important

to distinguish between them. Much of rented housing in Sweden has traditionally been publicly owned, and has therefore not had primarily profit motives. The purchased housing has been privately owned, but due to credit regulations the housing was prevented from becoming a speculative financial asset. The data for house prices will be provided by Statistics Sweden, and the Swedish Central Bank publication *House prices, stock returns, national accounts and the Riksbank balance sheet, 1620-2012* (Edvinsson, Jacobson, and Waldenström 2014).

### 2.3 Labor

Esping-Andersen argues that during *embedded liberalism* labor was in fact approaching decommodification. Because of full employment targets, combined with workers' rights and accessible unemployment benefits precariousness of being a worker was reduced. The change is similar to the change between the Speenhamland system, which served as a social wage, and the New Poor Laws, which led to fully commodified labor (Esping-Andersen 1990, 36). In the chapter of labor, the effects of the deprioritizing of the full employment target are going to be analyzed.

Guy Standing's book *The Precariat* (2014) provides a good framework for understanding modern commodification of labor. His seven forms of securities that are enjoyed by full-time employed and that people of the precariat are lacking, provides us with a framework for understanding the neoliberal effect on labor. The seven securities, in abbreviated form, are as follows:

1. *Labor market security*: that the labor market is stable. Standing says this is epitomized in the commitment to "full employment"
2. *Employment security*: protection from arbitrary dismissal
3. *Job security*: Opportunities retain a niche in employment, protections against skill dilution
4. *Work security*: protection against injury in unsafe workplaces
5. *Skill reproduction security*: ability to gain new skills and have adequate opportunities to use them
6. *Income security*: guaranteed livable wages

7. *Representation security*: the right to have opinions expressed, through collective bargaining and the right to strike, for instance (Standing 2014, 10)

As this thesis is not going to be long enough to go through each of them in the Swedish context. Instead, the larger movement will be analyzed, and these securities will be mentioned as they fit into the narrative. Sweden has traditionally relied on unions and solidarity wages between sectors. It was in fact a staple of the so-called Swedish Model (Hollander 2017, 3). There has been a process of de-unionization in Sweden as well, which has potential effects on the seven securities. The precariat itself, of course, is mainly not unionized, and they enjoy few of the above-mentioned benefits. In fact the absence of them is what defines the precariat as its own class (Standing 2014, 164ff). An even more recent example are people in the so called “gig-economy” (See for instance: Ravenelle 2019).

There is however a problem with using Standing’s theory as a measure of frustrations related to labor: the data for precariousness is lacking. For instance, Eurostat published numbers on people in “precarious” employment, and concluded that 0,4% of British people are in such employment. But the definitions were made excessively narrow, and do not necessarily reflect the real number of people in precariousness (Parikh 2018). Other studies have found that as many as 40% of Europeans state that at least one dimension of their work brings precariousness. The dimensions they measure are *exercise rights* (overall 42%), *vulnerability* (12%), *disempowerment* (31%) and *temporariness* (13%) (Matilla-Santander et al. 2018, fig. 2). Over-time data on precariousness as such is unavailable, but there are replacements that have been used in previous work related to precariousness. In early works on precariousness, part-time labor ratio, people employed in the informal sector, self-employed, and temporary contract workers have been used as indicators (Rodgers and Rodgers 1989). Standing also mentions “precarious unemployment”, which is in essence a move to where unemployment benefits are either lower, harder to attain, or available for fewer people (Standing 2014, 45–48). This is connected with *The Great Transformation*, as British movement into *laissez-fairism* was in part characterized by a removal of the safety nets for the poor, after being informed by Townsend and Malthus economic ideas (Polanyi 1944, 86).

Finally, Gøsta Esping-Andersen's definition of commodified labor will be used. This means, if labor is socially protected from market forces, they are in essence decommodified (Esping-Andersen 1990, 36). During *embedded liberalism*, the rising wages, increases in labor security, high levels of unionization and growing inequalities all had decommodifying effects on the labor force. Understandably, there are counter arguments to this; by definition, commodification of labor is the buying and selling of labor in the labor market – this does not change when wages rise or unemployment benefits are adequate. While this critical view has a point, it provides a vague and hard to apply framework for analysis. On the contrary, should Esping-Andersen be correct in assessing that labor during *embedded liberalism* indeed was decommodified, then this in part could explain why we saw an absence of fascist counter movements in the post-war era.

#### 2.4 Modern Political History of Sweden

Polanyi's double movement says that a self-regulating market economy is utopian, and produces social discontent that leads a rise in support for political parties that are anti-liberal. In order to be able to test the theory, this chapter examines the development of the political landscape in Sweden.

Post-war Sweden was characterized by social democratic hegemony. Between 1932 and 1976 there was an uninterrupted Social Democratic Workers Party-government. The general election in 1976 resulted in a center-right majority, between *Folkpartiet* ("the Peoples Party"), *Centerpartiet* ("the Center Party"), and *Moderaterna* ("the Moderates"). Despite their names indicating similar opinions, the alliance was formed with much political tension between the parties, and they did not manage to stay in power for more than two election rounds (Möller 2017, 204–5, 208). During 1970s and the right-wing years there had been a number of crises, both in Sweden and internationally. The oil shocks and recession in the 70s led the center-right to introduce some light version of austerity politics, which pushed up unemployment, especially in the mining, shipbuilding, steel, and textile industries. The inexperienced newcomers in the right-wing that came to politics in the face of these crises did have relatively social democratic policies. In the years leading up to the election they had criticized the high taxes, the selective support for certain industries, and the practice of having nationalized industries. But during the years of center-right government, the tax burden increased, the

aforementioned industries in crisis received several emergency stimulus packages, and a substantial part of the mining and shipbuilding industry was nationalized under the center-right coalition (Möller 2017, 208). They did however push through a fair number of reforms that are more typical to a right-wing government. They added a payment-free first day in the sick leave insurance, lowered pension and unemployment benefits, and went into the 1982 election cycle by promising more austerity politics.

The social democrat's main platform in 1982 was to reverse all these policies, which won them the election (Möller 2017, 222). The right-wing contest to political power had, however, planted the seeds of a neoliberal faction within the Social Democratic party. Sten Johansson, who led the Social Democrats campaign against the decision to enter the EU, describes the minister of finance in the 1982 government as the architect of Swedish neoliberalization in a 1995 opinion piece – not the 1976-1982 right-wing governments (Johansson 1995). The social democrats would, however, hold power until the 1991 election. However, this time, social democratic solutions were not the only known options in Sweden. The 80s were characterized by clear neoliberal reforms; the deregulation of finance in 1985, the deregulation of currency flows in 1989, and the central unions' open criticism of the Social Democratic economic policy leading up the 1991 election (Möller 2017, 231, 263). In 1991, the Moderates regained power, supported officially by the center party, the peoples party, and the two newcomer parties *Kristdemokraterna* ("the Christian democrats") and *Ny Demokrati* ("New Democracy"). While the Christian Democrats were a bit to the right of the moderates socially, the New Democracy party was a new type of party in Sweden. New Democracy did not technically have any government positions, but were formally supporting the right-wing government.

The New Democracy party started as a joke in a tabloid by a director of a record label, Bert Karlsson, and a Swedish Count, Ian Wachtmeister. The party had policy platforms such as lower taxes on liquor and the abolishing of parking tickets, but eventually adopted policies of anti-immigration and the lowering of taxes (Häger 2012, 36–37; Möller 2017, 292–93). The party, which started a mere 6 months before the election, managed to get 6,7% of the votes. The immigration issue became their prolific issue, and for the first time Sweden had a far-right populist party in government. However, the party, which was disorganized and unexperienced, only stayed in power for one election cycle. Further, the years after the

election, Stockholm was plagued by a racially motivated serial killer, who in an interview after his arrest said he was inspired by New Democracy platform (Tamas 2002, 276). They stopped being a political party in 2000 (Häger 2012, 40).

During this time, more extreme white power movements grew stronger. One of these was the political party Sweden Democrats (SD), which had been founded in 1988. In the beginning, it was meant to be the political wing of the Nazi organization *Bevara Sverige Svenskt* (“Keep Sweden Swedish”) (Häger 2012, 16–17). The SD did not gain many votes in the beginning. They wore uniforms with swastikas, had clean shaven heads and did Hitler-salutes in the streets, which failed to gain any popular support. The current party leader, Jimmie Åkesson, and several other current top-tier politicians in the party joined in 1995. In 2000, Åkesson was elected leader of the SD youth wing. He was seen as someone who was unstained by the more explicit Nazism that existed in the party. The mother party in second half of the 90s started a process of cleaning up; they excluded members who insisted on wearing the Nazi-uniforms, and who were charged with violent crimes. They also removed some more extreme political platforms such as reinstated capital punishment (Häger 2012, 20–22).

After a few years of cleaning up, SD became more serious political contenders. They were still called either Nazi or racist by the media, but the work to clean up their image had some payoff. They managed to recruit a veteran politician from the Moderates leading up to the election in 2002, Sten Andersson, who managed to get some TV-time to debate the leader for the People’s Party, Lars Leijonborg. After the debate Leijonborg announced their election promise to language test all new immigrant, and thus became the first Swedish party to adapt their party line to SD. As they were gaining more media traction, SD went looking for a candidate for the party leadership that was able to handle the new wave of media attention; which they found in the 26-year old Åkesson. He was elected party leader in 2005. (Häger 2012, 21–24)

The elections in 2006 and 2010 would become important for two reasons. Firstly, in 2006, the right-wing coalition regained government power for the third time in the post-war era. Secondly, although SD did not manage to receive more than the required 4% of total votes to sit in the national parliament; they did gain representation in 145 municipalities, mainly in the south of Sweden (Möller 2017, 292). The 2006-2010 government was characterized by some



liberal reforms, although not as big as the liberalizations done in the early 90s. For the first time after the second world war, a right-wing prime minister was voted in two times in succession. The moderates had for the third time in a row been in power while Sweden was hit by an international financial crisis, but in contrast to the governments of 1976-1982 and 1991-1994 the party managed to keep the state finances in order, and the party received much praise for. Due to this, a right-wing party leader remained in power through the election in 2010, which is the first time a right-wing prime minister manages keep popular support (Möller 2017, 316–17). Also, 2010 was unique for another reason: the Sweden Democrats managed to get into parliament with 5,7% of the votes. This meant that the conventional right-wing alliance was without majority in the parliament, but they did nevertheless not to get the official support of the Sweden Democrats, because of the Moderates relative openness to immigration. The 2010 election became the real breakthrough of SD, in the subsequent election of 2014 they received 12,9% and became the third biggest party, and in 2018 they were about 2-percentage points away from being the second biggest at 17,5% (Möller 2017, 294; SCB 2018).

To conclude this overview of the political landscape in Sweden and how the Sweden Democrats got into power, it is important to note that although SD have clear Nazi roots, they have worked actively to clean up their record. Despite this, they frequently attract media attention for scandals surrounding both violence, leading neofascist “news”-sites, and frequent racist commentary (Yoldas 2016). In the analysis there will be more in-depth descriptions of specific policies by various parties, and how we can see the developments in Swedish politics from a Polanyian perspective.

### 3. Method

The method will be to look at the economic history of the outlined variables above. According to Polanyi’s theory on the double movement, the disembedding of the market is done primarily through fictitious commodities. In the analysis this thesis will take a look at the development of land, labor and money, in an effort to understand the rise of the far-right in Sweden. The time frame is going to mainly be focused on the 1980s and onward. This is when we see a shift in the Swedish political landscape towards neoliberalism. The method is inspired by *The Capital in the 21<sup>st</sup> century*, by looking at graphs describing the developments in Sweden

and observe how specific policies caused noticeable change in the graphs. The three fictitious commodities will be described first separately in this manner, and then they will be related to the political developments in the concluding chapter. Polanyi does not in detail explain the rise of fascism in Europe, but instead explains that they rose spontaneously around the world. In the chapter on political variables, there is a historical overview on how Sweden Democrats rise to the second biggest party in Sweden, and their background. The various fictitious commodities, as well as the political variable, is going to be compared to the Polanyian descriptions in *The Great Transformation*.

#### 4. Relevance

There is cause to question why I chose to write about Sweden, instead of countries where the variables I am looking into are more visible. Deregulated finance, wealth concentration, rising rents and house prices, and precarious labor are words that do not necessarily make one think of Sweden first and foremost. The answer is one of method. In order to prove a point, it is seldom advised to look at an extreme outlier in order to generalize said point. If the deregulated finance and wealth inequality are causing problems in the United States, it does not necessarily mean that such practice would cause problems for countries doing it in a smaller scale. Essentially, the argument comes down to this. The adverse effects of neoliberalization are problems of scale – not in character. If problems regarding increasing concentration of capital can be observed in countries with relatively little, it should be a signal to the countries where concentration of capital is far greater. The opposite is not necessarily true.

#### 5. Analysis

In this chapter, we will firstly look at the developments regarding money, land and labor in Sweden since the 70s. There is lack of space to have in-depth analysis of all three, so there will unfortunately be some simplifications. Firstly, this thesis will start analyzing the deregulation of finance and credit markets in Sweden, which led to a growing level of indebtedness, and had major implications for the other two variables. This will be followed by an analysis of the housing market in Sweden. In chapter 3.4, Swedish labor will be examined. The analysis will finally end with an examination of the political developments.

## 5.1 Money

The deregulation of finance has implications for both the labor and land variables, especially the latter, and thus serves as an appropriate starting point for the analysis. Looking at Figure 1, we see the long-term indebtedness of Swedish households since 1950 (SCB 2019b). Three things stand out. Firstly, the rate of indebtedness has steadily increased over the measured time period, but remained stable for a few years prior to 1985. Secondly, there is an irregular hump in the mid 80s, which is followed by a decrease over a few years. Finally, there is an even faster increase after the period of declining indebtedness. This thesis shall focus on the events that led to the hump, and the succeeding rapid increase.

### 5.1.1 The November Revolution 1985

The Swedish November Revolution of 1985 needs to be addressed here, which means the historical decision of the Swedish central bank to deregulate the credit markets. The preceding years there had been incremental movements towards a deregulated credit market, by both center-right and social democratic governments. Sweden had largely “skipped” the bust cycle in 1974-1975, by continued Keynesian demand-side investment policies, in order to wait for a new boom cycle abroad. Instead, an oil price shock followed, further deepening the crisis. Sweden, after a long time of maintaining a budget surplus, racked up a considerable debt, and created new credit markets for government bonds. This ambition was, however, incompatible with the traditional social democratic values of regulating the capital. The increase in demand for money were at odds with the upper limits to lending put in place on the banks, by the independent central bank. This same central bank, as a response to increased demand, decided to deregulate the credit markets in the event that came to be known as the November Revolution 1985 (T. Svensson 1996, 139). This deregulation could be seen as the starting point for Swedish neoliberalization.

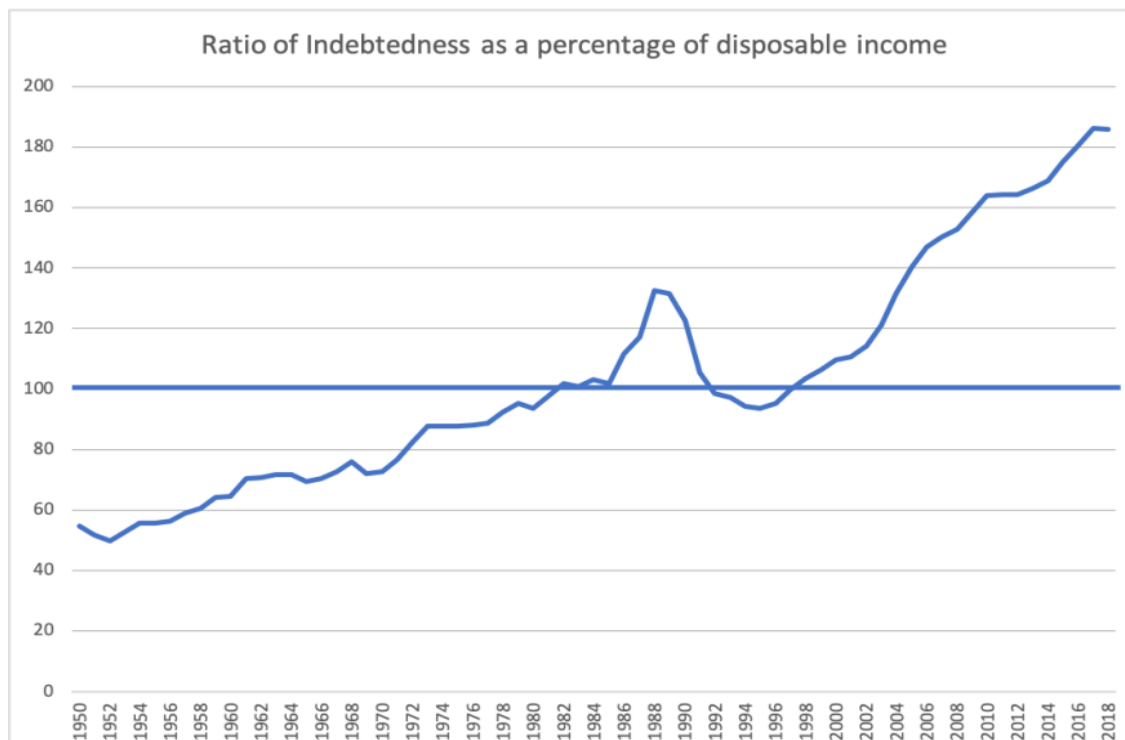


Figure 1: Ratio of Indebtedness as a percentage of disposable income. Source: SCB 2019

Looking at figure 1 again, we see the effects of these policies. After a few years of hovering just above the 100%-line, indebtedness rose to about 130% of disposable income, in four years. These loans represent mainly an increase in borrowing to purchase housing, which shall be looked at more closely in the following section, but is also necessary for understanding the further developments. The banks at the time were described by the director of the Central Bank, Bengt Dennis, as “acting like a horde of elephants in a porcelain store” (T. Svensson 1996, 121), meaning they were lending money without regard for risk. Previously, in the regulated era, risk was significantly lower; as amounts were lower and punishment for “over-lending” was severe. The newly unfettered banks and financial institutions issued loans to large, speculative firms for use in the booming housing market, with short-term profits in mind. At the height of the speculation, 1989, Sweden deregulated restrictions on the purchasing and selling of stock internationally, which meant Swedish firms could buy and sell stocks abroad. This led to a large flow of capital leaving Sweden, invested in foreign stocks. Of course, private citizens also increased borrowing, as they now had access to credit, they could use to finance new housing as well. The easy access to credit ended up putting many housing

development firms in a situation where they over-borrowed, and as a result over 2000 development firms went bankrupt. This leads us to the 1990s.

#### 5.1.2 The Banking crisis and *The Tax reform of The Century*

The early 90s were characterized by financial crisis and further liberalizing reforms. As a consequence of the over-indebted firms going bankrupt, the banks and financial institutions had to be saved by the government with a bailout package of 104 billion SEK. The bailout was mainly in government takeovers of the banks themselves, so the state managed to regain some of the money paid out, over time. The final loss was at 21 billion SEK (Barr and Pierrou 2015). The overheated market had resulted in a bank-, housing-, and currency-crisis which was the worst in Swedish history. The neoliberals among the social democratic party, as well as a right-wing government elected in 1991 did not let this crisis go to waste, as the proverb goes.

One of these results was the 1990/1991 tax reform, called *the tax reform of the century* ("*århundradets skattereform*"), which was explicitly modeled after similar reforms throughout western Europe (Henrekson and Stenkula 2015, 117). Cuts to the top marginal rate, of both wealthy individuals and corporations, as well as a new way of taxing capital gains and labor income under separate tax brackets, while broadening the tax base to make the reform revenue-neutral (Henrekson and Stenkula 2015, 48). The top marginal tax rate for labor was reduced from 80% to 50%, and capital was now going to be taxed at a flat 30% rate. Further, the wealth tax was abolished for unlisted firms, and the then completely abolished 2007. Interestingly, the abolishment was done after a policy investigation to broaden the tax base to include all relevant assets, to avoid tax evasion. Instead, the government completely abolished the tax, which was suggested as the other only possible option (Henrekson and Du Rietz 2014, 32). The important implication of this is that Sweden let go of its attempt to regulate capital and compress inequalities. The wealth tax was never a source of great income, but had since the 1930s been in place for explicitly redistributive reasons (Henrekson and Stenkula 2015, 298). The presence of political reasoning for taxation was visible in capital gain taxation as well. In early days of the tax, it strictly went after speculative tax. Long-term investment was incentivized, and so financing was less volatile. Short-term holdings was taxed around 40%, until the tax reform; where it was taxed at 30% regardless of holding period

(Henrekson and Stenkula 2015, 17). Finally, before the 1990s tax reform, real estate tax had been a staple component of the Swedish taxation system, which was abolished with the new reform. In figure 2, you can see the development of the top marginal tax rate in Sweden, with the reform indicating a clear shift in doctrine. The reform brought about a level of taxation that had not been seen since the end of the Second World War.

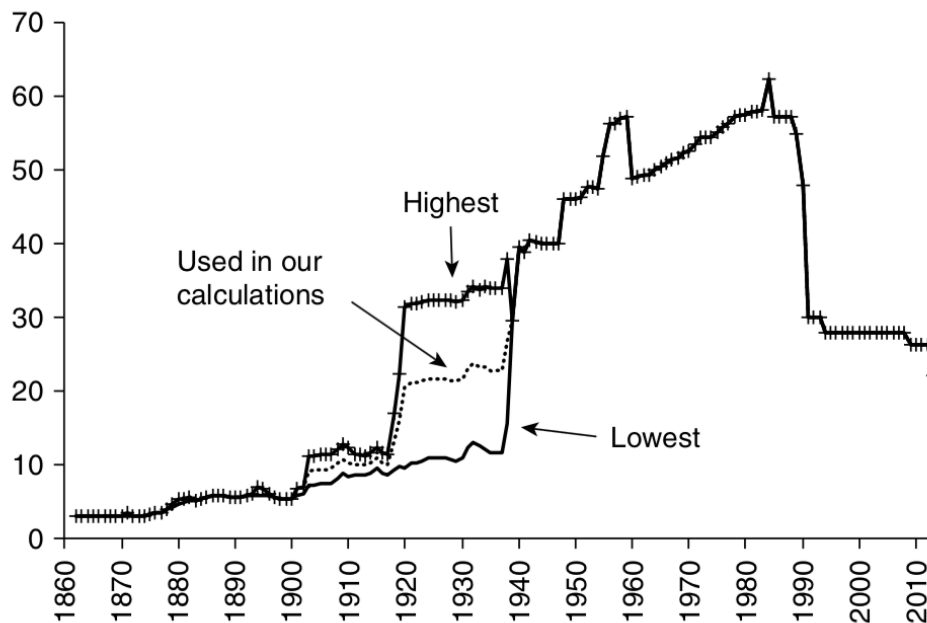


Figure 2: Highest and Lowest Marginal Tax Rates "Used in our calculations" is the calculations by Henrekson, Du Rietz and Stenkula. Source: (Henrekson and Stenkula 2015, 126)

### 5.1.3 Ideological Forces behind the Revolution?

The background to this tax-bill ties back to the November revolution 1985. Some argue that the problems that caused the 90s crisis has to do with the order of the reforms. Had the tax-bill been enacted before the deregulation of credit, the crisis could have been averted (T. Svensson 1996, 148). However, to investigate this claim further, there is reason to look at the ideological forces behind the decision to deregulate credit. The central bank operated independently of the government at the time, so it is worth looking at their motivations. Firstly, it is important to remember that the so-called "Swedish model" is based on corporatism, which traditionally means a relationship between the workers' movement and unions and the social democratic government. Involving private actors was therefore not new in principle, but in execution. When the central bank started investigating the possibility of credit deregulation, they consulted very few outside actors. The narrative was that issues

regarding credit and finance were too complicated for the average politician (T. Svensson 1996, 111–13). Importantly, they did involve the national Banking Association in the decision, who at the time provided the central bank with direct knowledge on credit flows.

This knowledge became part of the foundation for the later decision to deregulate (T. Svensson 1996, 117–19). Around this time, the banks and the employers' federation had been mobilizing aggressively against the regulations of the 70s and 80s, through the funding of neoliberal think-tanks and spreading the notion that the welfare state and tax burden was causing economic stagnation (Harvey 2005, 113–14).

There is also the neoliberalization coming from within the Social Democratic party to highlight. The finance minister at the time, Karl-Olof Feldt, had recommended Bengt Dennis as the leader of the Central Bank to Prime Minister Olof Palme. Feldt was, according to the more left leaning Social Democrats, part of the neoliberal faction of the dominant party (Johansson 1995), and he acknowledged that the move to deregulate credit was a clear trend break from traditional social democratic politics (T. Svensson 1996, 113). According to the Svensson report, there are no indications that the finance minister consulted the rest of his party about the coming deregulations (T. Svensson 1996, 112–13).

Returning to the tax reform, there is some evidence pointing that there were clear intentions behind it, other than to alleviate the pressure of the ongoing budget deficit. A staff-member at the central bank at the time said in an interview that “the talk of the time went like this: if anything is going to happen in the tax-area, we need to [deregulate credit] first, otherwise the politicians will never get their butts out of the wagon and change things” (T. Svensson 1996, 102. Authors translation). According to Svensson, the decision heavily underlined the need to both open Swedish stock markets internationally, and introduce major tax reform (1996, 102). The report also includes a attitude survey of different involved groups at the time, showing that the financial political sector (where Feldt and the board of the Central Bank are included) was opinion-wise much closer to the neoliberal private sector (where the aforementioned Employers federation is included) than the rest of the social democratic politicians (T. Svensson 1996, 136).

## 5.2 Land

For the chapter on land we are going to look at the price of housing. As briefly touched upon in the section on theory and data, this thesis is defining the fictitious commodity of land as just housing. This is for several reasons. Polanyi bases his original point on people expelled from their lands as a result of the enclosures, forcing them to become an industrial reserve army (Polanyi 1944, 94–95). Nowadays, jobs are concentrated in cities, where also housing prices are providing an incentive to move out from them. This is the paradox that will be explored in this chapter.

### 5.2.1 Housing as a fictitious commodity

First, the argument that housing is itself a fictitious commodity is going to be made. Polanyi's principal argument for why land, labor and money are in fact fictitious commodities is because they were themselves not produced to be part of a market economy. They were however integral in shaping the laissez-faire system of the late 19<sup>th</sup> century. Similarly, housing has become an asset to invest in during neoliberalism as a security, for those who can afford it. As established in the previous section, the deregulation of credit flowed predominantly into housing, in a speculative manner. Similar tendencies were observed during the 2008 financial crisis, which was largely created because cheap credit was issued to people who otherwise could not afford a home (Streeck 2016, 84ff). But regard for a moment the function and use of an apartment. With or without market society, housing would be available. The market did not create demand for housing, neither would the absence of markets remove the need for it. For most people, who only own one home, housing serves as a dwelling. Almost all activity, economic or otherwise, are based on being able to have housing. A telling example is the policy of certain states in the US and European countries of giving homeless people homes unconditionally. Once they are housed, they more or less become productive individuals (Gray 2018). Consequently, there is a risk in seeing housing as merely a question of economics; it is to the highest possible degree a social issue. The financialization of housing has to be considered as a financialization of what is, to a majority of people, the financialization of the social.



### 5.2.2 Development of purchased housing

With the acceleration of financialization, real estate becomes more than a place to live; it becomes an investment. Pension funds, insurance funds and other investors depend on rising house prices for their return on investment. Real estate developing firms are the single biggest borrower of money from the banks, at about 20% of the total issued credit for the four big banks in Sweden (Nyberg 2007). These investors, either institutions or private citizens, depend on ever increasing house prices to secure their return. Figure 3, shows the development of house prices since 1981. After the November Revolution 1985, there are rapid increases in prices, with a subsequent fall which triggered the banking-, housing-, and currency-crisis. These reasons have already been mentioned, but what happened after is perhaps more interesting.

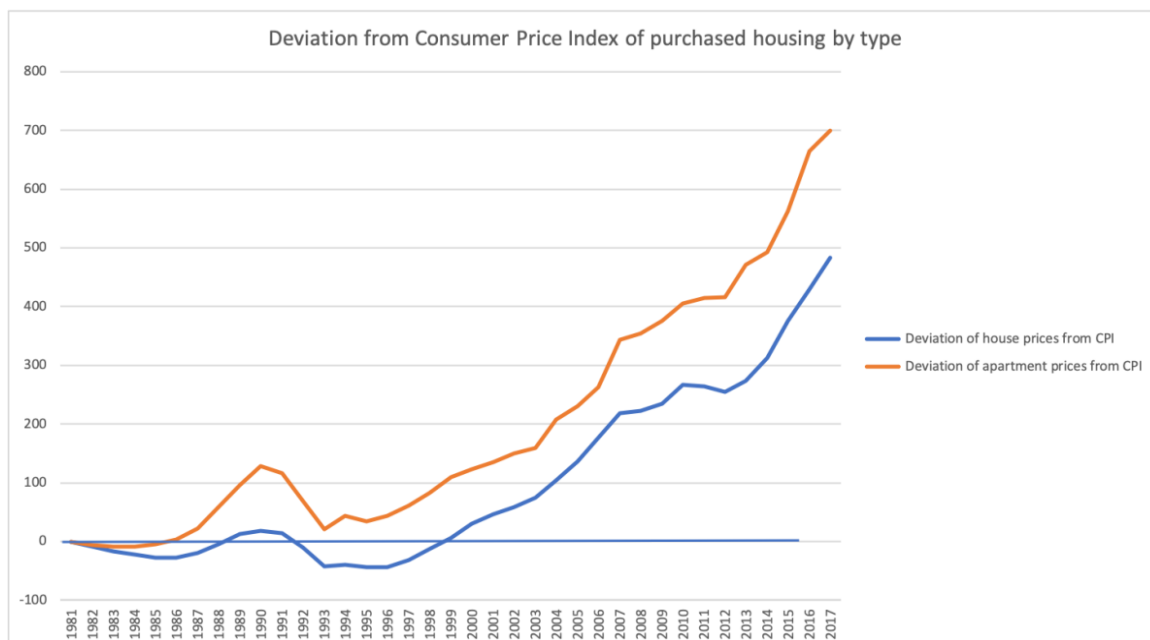


Figure 3: Source: (SCB 2019)

There is a deviation from consumer price index increased once the crisis was over. In 1994, prices kept increasing, even throughout the 2008 financial crisis. Especially apartment housing, which is concentrated in the cities, had increased in price. Given that increasing house prices are important for the financial sector, and a drop in them causes a financial crisis, we need to analyze who benefits from this development. As previously stated, banks and investors are principal beneficiaries of the increase in housing prices. Individuals who own housing are also benefiting, as their net worth increases with the building, and they hold a security. With increasing prices, the number of people being able to afford to purchase

housing decreases, and availability to invest in real estate concentrates into the hands of fewer individuals. Looking at the amount of capital held by the richest decile and percentile, we see an increase of concentration, especially since the 1990/1991 tax reforms, see figure 4.

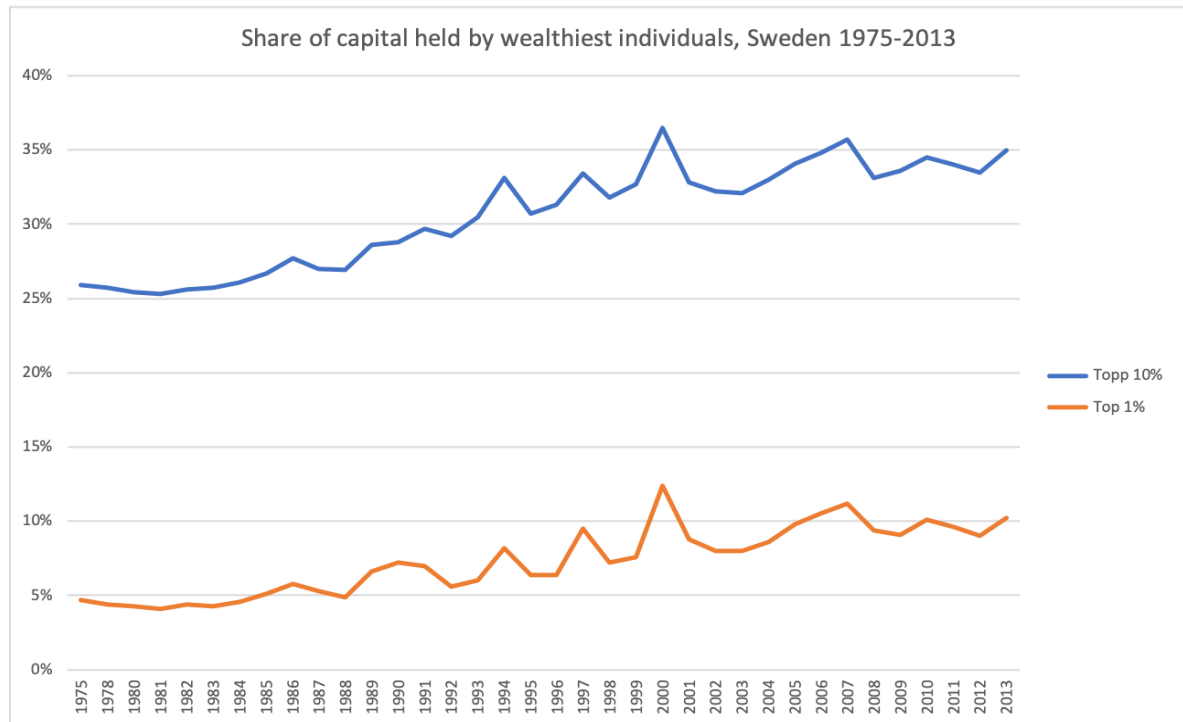


Figure 4: Source (SCB 2016)

We can see that the deregulation of capital started an upward movement, which was briefly affected by the early 90s crisis. The trend since has been towards increasing capital ownership among the top decile and top percentile; from about 26% to 35% for the richest 10%, where the richest 1% has increased their share of wealth from 5% to 10% in about 15 years (SCB 2016). While this is not comparable to states where capital concentration is much higher (such as the USA or UK), it still indicates a general movement towards increasing concentrations of wealth, which has not been a feature of the Swedish economy since the second world war (Piketty 2015, fig. 10.4). As figure 1 shows, indebtedness has increased for individuals to afford the rising house prices, and the first group to be unable to reach the threshold is predominantly young people in cities, and there is evidence that women earning median income in ages 40-44 are unable to afford a divorce should they want one (F. Svensson 2018; Wörmann 2018). However, if the current developments continue, there is reason to assume that it might affect other demographics as severely in the future. The principal argument however is how the market forces affect people in a way in which they are not able to control,

which has social dislocating effects. The ways finance and social life are connected, through housing, is inherently unstable, which will be argued in the following section.

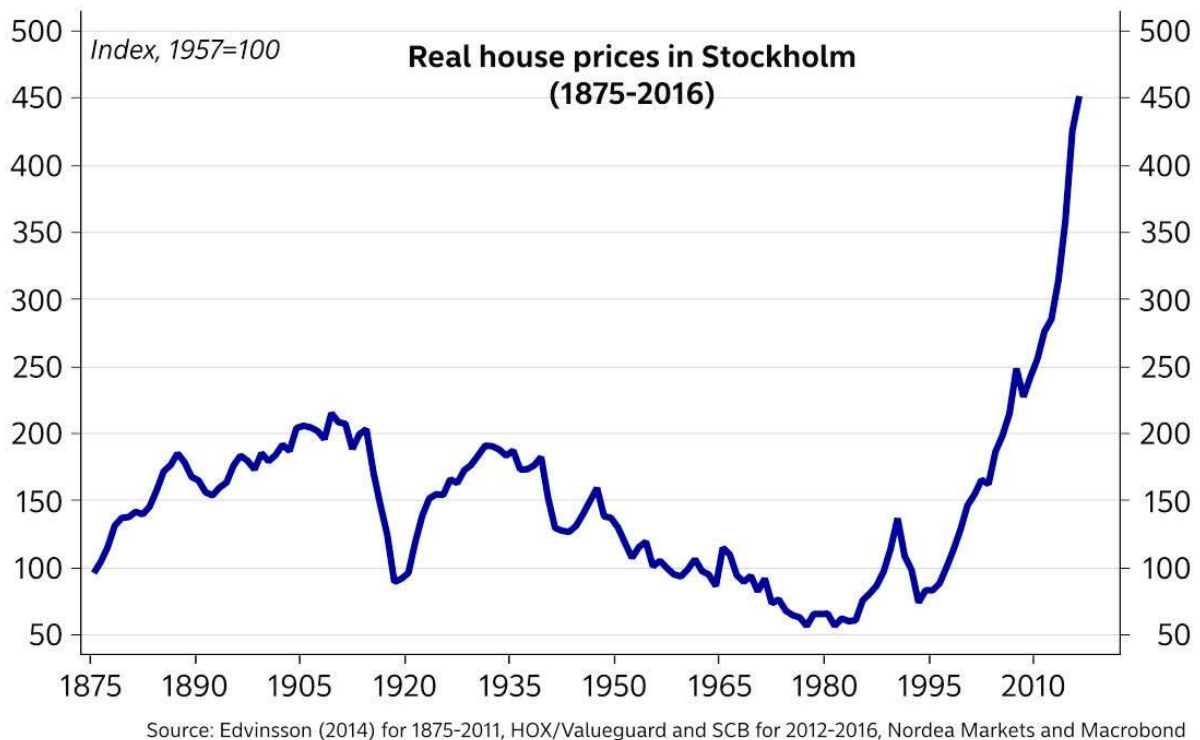


Figure 5: Source: (Wallström 2017)

Figure 3 tells us that house prices since the deregulation of finance have increased rapidly compared to consumer price index. This has been to the benefit of house owners, financial institutions and banks. But not only. These financial institutions and banks are intimately connected to most working people in Sweden. Pensions and savings accounts rely on increasing house prices and continued lending to real estate developing firms to ensure a steady and safe return on investments. A fall in house prices therefore negatively affects not only house owners, who have a significant portion of their money tied to the value of their home, but also for anyone who holds a savings account or pensions. A drastic fall in house prices would cause economic collapse, affecting savings, pensions, and assets of home owners. The state of equilibrium then rests on increasing house prices, which in turn are the main driver for the increasing indebtedness (SCB 2017). Looking at figure 5 instead, it is evident that this was not the case for the period of *embedded liberalism*. Real housing prices decreased between 1931-1981, which indicates that the current equilibrium may not be

necessary for the capitalist *modus vivendi* (Edvinsson, Jacobson, and Waldenström 2014, 84). The introduction of rent controls in 1942 kept the housing market from increasing, and due to high inflation, the real house prices on average decreased. These rent controls have in recent decades been gradually dismantled, another factor that has allowed prices to increase (Edvinsson, Jacobson, and Waldenström 2014, 77). There will be more discussion on the development of rent controls, their effects, and their dismantling in section 3.3.3.

Returning to Polanyi, and his argument that the commodification of land, labor and money was essential in creating the *laissez-faire* market economy, we see that the recommodification of housing is essential to neoliberal economics (Polanyi 1944). The conditions of a healthy economy without crisis is now dependent on the equilibrium of rising house prices, and with it, rising levels of debt. Debt is naturally always a risk; economic downturn or an injury may cost a person their job and making them unable to pay back the loan. Housing becomes more than simply a dwelling in which a person or family lives; it becomes the fundamental cornerstone of both personal and national economy. This comes close to the original argument of Polanyi's fictitious commodities. The profoundly natural, and human act, of living in a home is now entirely intertwined with market forces. Recall his quote in the chapter introducing the concept:

“But labor and land are no other than the human beings themselves of which every society consists and the natural surroundings in which it exists. To include them in the market mechanism means to subordinate the substance of society itself to the laws of the market.” (Polanyi 1944, 75).

All of this is still to say nothing of the actual quality of housing, the issues of gentrification, or processes of building new housing, which Hollander discusses in his Polanyian analysis of Sweden (2017). The focus is going to remain on the effects of deregulation, and the price-mechanisms from a perspective of fictitious commodification. In the next section, similar developments in rented housing in Sweden are going to be analyzed.

### 5.2.3 Development of rental housing

Rent prices do follow the overall prices of housing, but there are some additional aspects that need to be examined. People who cannot afford to purchase housing oftentimes rent. Here, more recent developments on the aforementioned dismantling of existing rental controls, as well as the effects those controls used to have, are going to be analyzed.

Stockholm is going to serve as the main example of this development. As throughout Europe, the issues of housing are concentrated in the largest cities. This is of course not accidental. Job growth is also concentrated in large cities, and both population and public spending on rural Sweden has been declining since at least the 1970s (Syssner 2014). Applying the same methodology as previously, let us begin with a look at rental prices in comparison with consumer price index since 1969 (Figure 6). The 1990s stand out as the big increase in diverging rents. This is of hardly any surprise, taking into account graphs 3 and 5. The deregulation of credit and the subsequent increase in house prices affected those who rent proportionally.

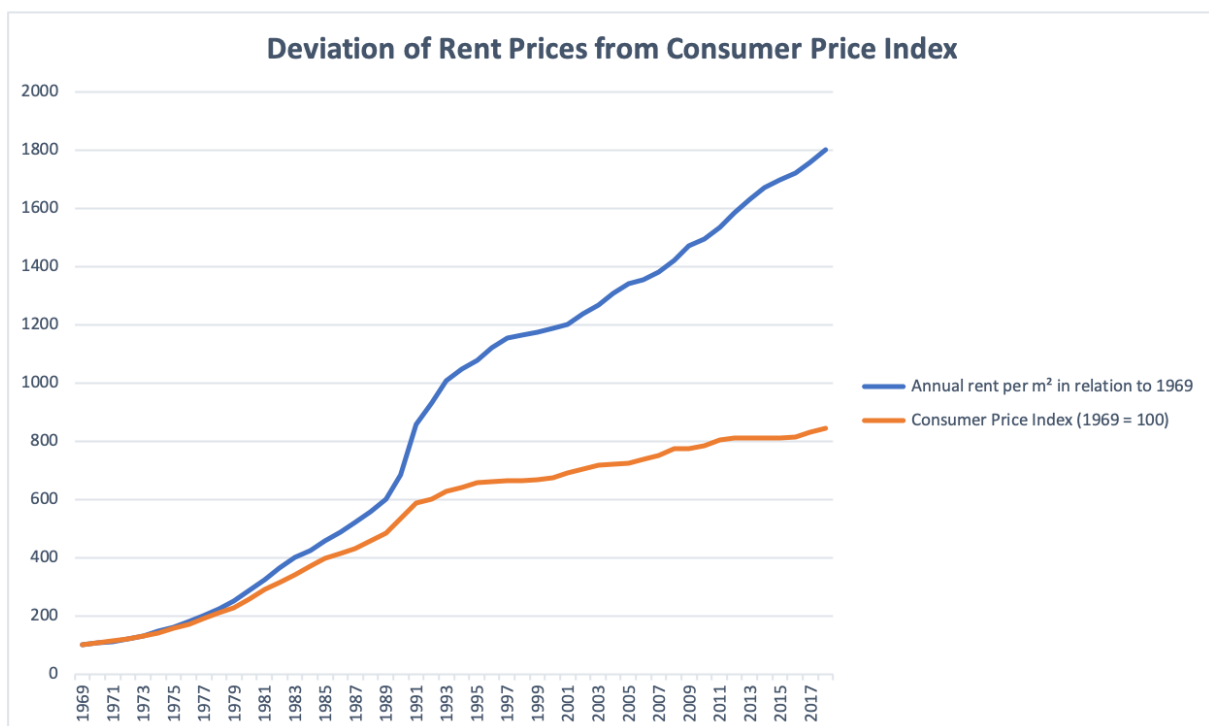


Figure 5: Source (SCB 2019)

The price mechanism in this case more or less follows the price of housing in general, with an important difference. Much of the existing rentable real estate is owned by publicly owned

companies; the three biggest are Stockholmshem AB, Svenska Bostäder AB, and Familjebostäder AB (Stadsledningskontoret 2015). They are owned by Stockholm city, and so decisions rest with the local government, not the national one. The apartments that are owned by these companies are called *allmännyttan*, which literally means “the public good” (“About Public Housing Sweden” n.d.).

The history behind this institution lies in early formations of Keynesianism in Sweden. During the first few decades of the 20<sup>th</sup> century, Sweden had amongst the worst housing in the developed world; overcrowded, expensive and of bad quality (Hedman 2008). In the post-war era, state and municipal intervention in the control of building new housing increased, which culminated in the “million dwellings program”, which ended the deficit of housing by 1975. In fact, in many places there was now an abundance of housing and apartments remaining empty, a fact that has been used to critique social democratic intervention (Hedman 2008; Hollander 2017, 6). But the program meant that now the municipalities were the biggest rental housing suppliers in Sweden. However, this was met with liberal counter-policies, with the election of the right-wing government in 1991. The focus for this section will be on this liberalization of public housing. The previously existing state loans for building housing were cut and transferred to the private sector, and so risk was transferred to the housing companies (both private and municipal) and indebted individuals. These factors led to a dramatic decrease in building throughout the 90s (Hedman 2008). The two ideological points were to make housing more based on free-market economics, and that the public housing companies should compete with the private ones, on the same terms. (Hedman 2008, 20)

This slowdown of building led to a renewed deficit of housing. The 1996 social democratic government did not undo these reforms, as the social democrats of this era were predominantly from the neoliberal wing in the party (For critique during this era, see : Johansson 1995). Like elsewhere in Europe in the 90s, the selling of public housing began (Scanlon and Whitehead 2007). The social-democratically led Stockholm City Hall decided to start offering tenants to buy out their rental properties, but it did not start on a major scale until 1998, when the right-wing City Hall expanded the mandate (Svenska Bostäder 2019). The national government was at the time social democratic, and responded by passing a law, *stopplagen* (the “stop law”), which halted the public sellouts. However, in 2006, the national

election was won by the right wing and the sellouts increased again. In five years, one of the biggest public housing companies, Svenska Bostäder, sold off 35% of their total rental apartments (Svenska Bostäder 2019). This came to an end with the social democratic victory in the 2014 election.

This dynamic shows that the issue of housing is highly ideological, but also that there is a general move towards more precarious housing environments. During right-wing years, the existing housing, which is priced cheaper than newly-built housing, is sold off and becomes tenant-owned apartments. In order to keep a stable level of rentable housing, there has recently been an increase in building. New and more rigid building standards however come with prohibitive rental costs. Newly produced apartments have about 60% higher rent on average than older housing (Swedish Union of Tenants 2018, 12). Despite this, there is a net loss of rentable housing, and an average increase in rent level (Swedish Union of Tenants 2018, 2).

This is shown in a practical way through how housing is distributed in Stockholm. There is a public queuing system, where anyone above the age of 18 can be in line. All rentable apartments are shown, and when applying for an apartment, the one who has been in line the longest gets offered the apartment. The development of the queue over the past decades showcase the issue in a dramatic way. In 1997, before the sellouts started increasing dramatically, the average wait time in Stockholm was about 5 years for all districts, with a maximum average wait time (reserved for apartments in the most central areas) was about 10 years. Now, the average wait time is 12,7 years, and the maximum wait time is 22,7 (Swedish Union of Tenants 2018, 3). Due to this development, one solution currently on the table is further marketization, which the Swedish Union of Tenants estimate would mean about 80% increase in rent in the inner city, and the possibility of up to 20% lower rent in the far outskirts of the city. The long wait times exclude mainly young people and people immigrating to Sweden. (Swedish Union of Tenants 2018, 19)

### 5.3 Labor

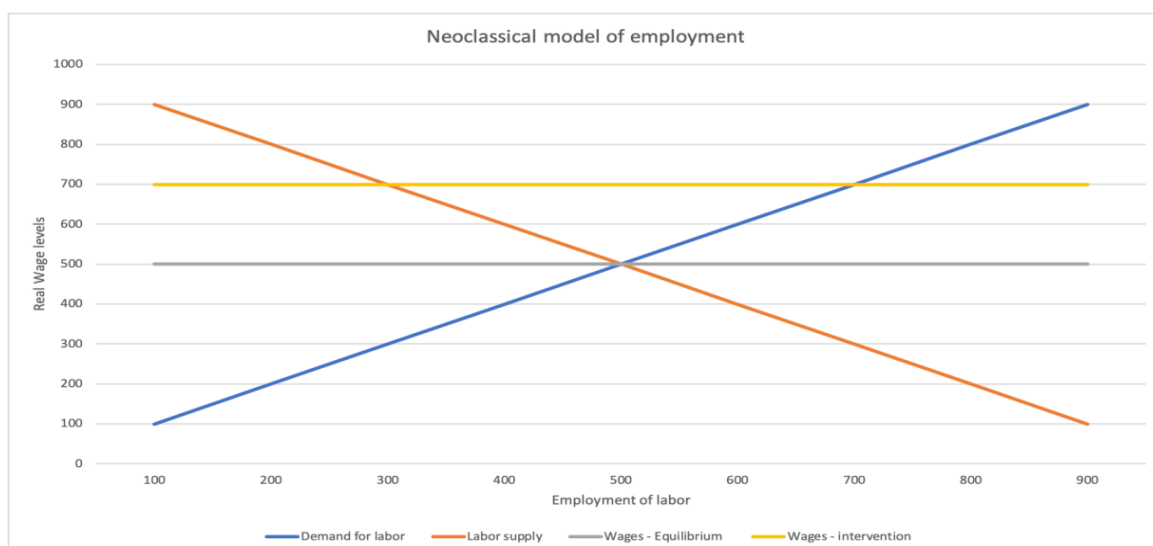
Understanding how finance and housing is intertwined is simple. Furthermore, understanding that increasing house prices in general commands higher rents is also quite intuitive. The final

variable of labor will be looked at in terms of its commodification. For this, parts of Standing's *the Precariat* will be combined with Esping-Andersen's *Three Worlds of Welfare Capitalism*.

### 5.3.1 The Recommodification of Labor

The theory of the precariat as its own class comes from Guy Standing, but the idea of precarious labor dates back further. Standing divides the precariat into a number of different categories, with the common denominator being the absence of seven types of securities.

The first category of labor market security discussed in this thesis is the macro-level job security within society. Standing mentions the commitment to full employment that existed in *embedded liberalism*, but has been dropped by most countries since they switched economic doctrines. In the 1970s, the unemployment rate in Sweden rose to 3%, which was a high number at the time. Both the social democratic and the right-wing governments of the 70s and 80s held onto their commitment to full employment, but by the time of the crisis in 1991 the government shifted the priority from full employment to keeping a target inflation of around 2% (Möller 2017, 224–25).



Picture 1: Neoclassical model of employment

This is an important first step, because as labor becomes deprioritized, new rules start to apply to the labor market. Without the move away from full employment targets, neoliberal economics does not work. An example of this is the employment model in classical economics. In an unregulated market society, wages depend on the supply and demand for labor. If labor is in excess, wages will be low initially, which leads to workers dropping out of the labor force,



and the remaining laborers will demand higher wages. This eventually leads to a convergence at equilibrium, where the gray line intersects with the supply-demand lines. If the government or union intervenes and forces the wage levels up, there will be an “unnaturally” high unemployment, at higher wages, where the yellow line is. For this model to actually work, governments cannot have a full employment policy in place, as both wages and employment will be able to increase without unemployment increasing.

In Figure 7, we see the effects of unemployment after the abandoning the full employment policy. The shocks in the 70s and 80s had increased unemployment somewhat, but to a level that was lower than the employment that is in the 2010s post-crisis boom-cycle (SCB 2019a). The crisis in the 90s gave rise to an unemployment level not seen in the post-war era, and the post-crisis equilibrium (Magnusson 2000).

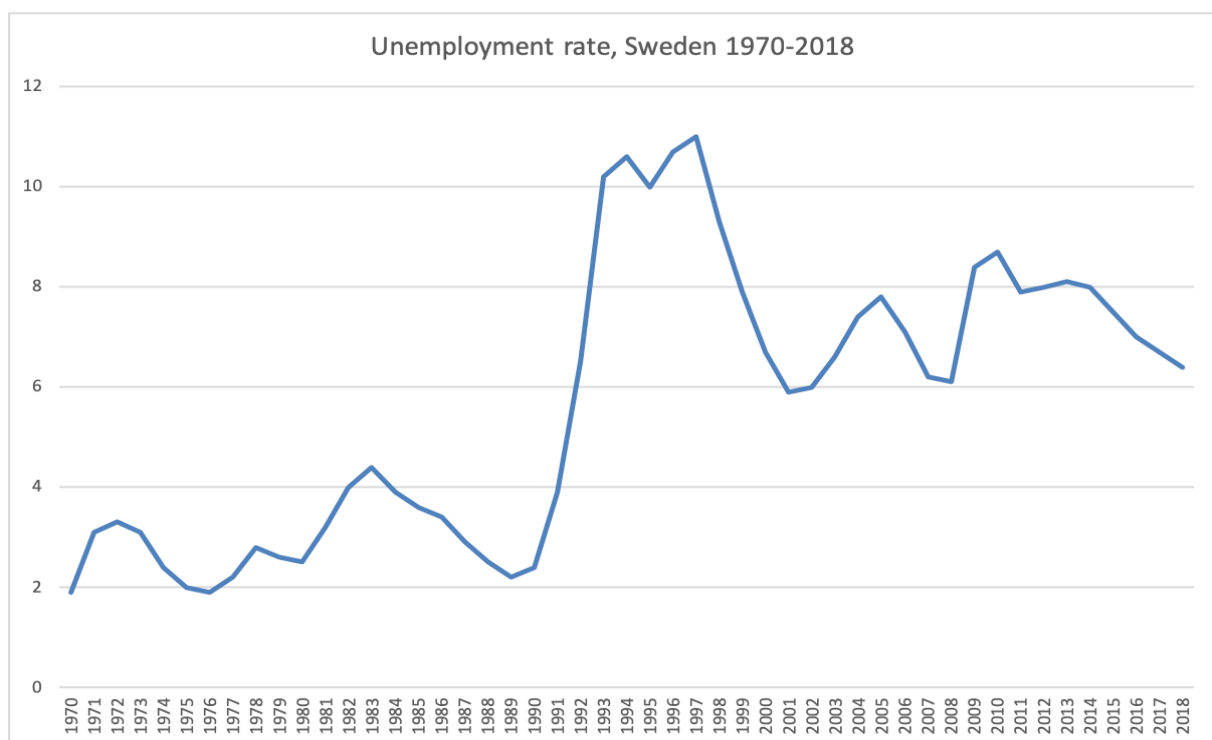


Figure 6: Unemployment rate in Sweden 1970-2018 (SCB 2019)

After Sweden abandoned the full employment target, more reforms that increased labor subjection to market forces were enacted. Sweden is traditionally associated with high levels of union membership, and therefore steady wage growth and employment protections. In the neoclassical employment model (picture 1), marketization of labor leads to a situation in which powerful unions would set wages above market level, and therefore create

unemployment. The increased effect market forces had upon labor would create incentives to further marketize labor, since now benefits such as high wages, unemployment protections, and protections against arbitrary firing etc. are actively affecting how many people are employed. The center-right government that gained power in 2006 removed previous tax reductions to union dues and unemployment fund fees, which led members seeing their fees increase by up to seven times the amount they paid before. This reform led to a sharp decline in both union membership and the unions' unemployment funds, especially among foreign-born blue-collar workers (Kjellberg 2011, 68, 84).<sup>3</sup> Simultaneously, another reform restructured the way unemployment funds worked. Previously, unions with large unemployment funds had to provide for smaller unions who had lower funds, called the solidarity system of equalization. This, in effect, led to the small unions losing a lot of bargaining power.

Sweden still has a relatively high level of unionization, compared to the rest of Europe, but since 2007 Sweden has had the fastest declining unionization. According to Kjellberg, the motive for these reforms were mainly to put downward pressure on wages, by lowering the bargaining powers of the unions (2011, 87). Although historically, increases in unemployment in Sweden have always been followed by a subsequent rise in union membership, the financial crisis of 2008 did not lead to a recovery of unionization rate. While unions remain strong at the time of writing, it will be interesting to see future developments. Trade unions have been a staple part of the Swedish Model for decades, and they are responsible for many of the protections that Standing lists as criteria for the precariat; such as wage increases, protections from arbitrary dismissal, and establishing minimum safety rules at hazardous work places.

As this is quite a recent development, the results are not clear yet. The Confederation of Swedish Enterprise has mobilized against a number of laws of labor protections, with the aim of making the labor market more flexible. Their published material feature influences of the rhetoric of perversity, which Block and Somers use extensively to analyze the move into reembedded markets in the US (2016). One of their main targets, the Law of Employment Security (LAS), is described by nine companies as an "anti-flexible remnant of the 70s"

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<sup>3</sup> Unions organize the unemployment funds, and offer an option to only pay for the funds instead of paying full membership dues.

(Bergsten, Langby, and Karlsson 2018). The argument essentially has two parts: the inflexibility hurts the companies' ability to hire new personnel, which hurts those without a job. In the short term, this may or may not be true, but what is interesting is the use of unemployment to justify further liberalizations. The deprioritizing of the commitment to full employment was a liberal reform that created a higher equilibrium for unemployment, it was not originally the cause of older laws that prohibited dismissal for arbitrary reasons.

#### 5.4 Political developments

As observed in the above section, the fictitious commodities of money, land and labor have been increasingly subjected to market forces. Further, according to Polanyi's theory, this initial move towards liberalism would be followed by a second movement towards either the left or the right. This section is going to focus on the right-wing response, as it is more prominent in the current political landscape. According to Polanyi, fascism was not a coherent movement. What united them was mainly critique against the "regime", focus on racial issues and demagoguery (Polanyi 1944, 246). Both New Democracy and the Sweden Democrats contain variations of these characteristics. The initial liberalizations in the 1980s did indeed see an almost simultaneous reaction from New Democracy. Just six years after credit was deregulated, a new party that started as a joke, had gotten 7% of the vote and was a supporting part of government. They ran predominantly on an anti-immigration and anti-establishment platform, but their economic policy was decidedly neoliberal (Häger 2012, chap. 1). They collapsed because of internal struggle and political incompetence, but demand for their politics had surfaced.

Unlike New Democracy, the Sweden Democrats had a decidedly national socialistic grassroots movement. The Nazi symbolism and skinheads within the party were too much for mainstream Swedish voters during the 1990s. Upon entering the new millennium, they had removed their more extreme aesthetics, but their platform remained aggressively anti-establishment, xenophobic and demagogic. "The elites" had taken the country away from ordinary Swedish people. In 2006, only ten years after prominent Sweden Democrats posed with swastika armbands, they had become the biggest party outside of parliament. They were represented in several local governments, predominantly in the south of Sweden. The financial crisis in 2008, and the migration wave in 2015 added to the Sweden Democrat

message, but it is important to recognize that the popular growth actually started during a boom cycle. This hints that crisis is not the main source for the discontent that leads people to the far-right, as is suggested by other authors (Klapisis 2014). The 1930s were of course all characterized by international financial crisis, but the roots of discontent lies in the commodification of human life, according to Polanyi. Had the Sweden Democrats become prominent just in the post-crisis environment, one could perhaps more easily point to the austerity as a reason for the politics of discontent becoming more popular. But that would not explain the rise before the crisis, nor would it be a satisfactory explanation for why they remain large and growing after the recovery from the crisis.

Instead, looking at the re Commodification of money, land and labor as explanatory variables provides us with a theory that explains the pre- and post-crisis growth in support. Studying the Polanyian literature on the double movement, the fascists and the socialists he describes are primarily separated by their moral character, not necessarily by their economic class. And as the SD state in their political program, they consider themselves in the middle on the left-right economic axis; which mainly entails cutting taxes and public services while simultaneously increasing public spending, with the important exception of immigration (Sverigedemokraterna 2019). Polanyi says about socialists and fascists that “Even where they profess identical economics, they are not only different but are, indeed, embodiments of opposite principles” (Polanyi 1944, 267). They are united in their opposition to the individualistic market fundamentalist state, according to Polanyi, there is evidence of this in the SD party program. Instead of organizing collectively in economic terms, they focus on collectivism in cultural terms, such as creating a cultural canon in Swedish schools to educate about the Swedish identity, and reducing funding for various pan-European identity and education projects (Sverigedemokraterna 2019).

But, if the social dislocation is caused by economic conditions, should the counter-movement not be focused on primarily economic issues? For instance, the leftist party in Sweden advocates return to full employment, regulated rent levels, more labor security and similar policies related to what is described above (Vänsterpartiet 2019). Yet, they have gained comparatively little support since neoliberalism. Polanyi’s answer to this is that “a social calamity is primarily a cultural not an economic phenomenon” (Polanyi 1944, 164). The

reaction to commodification of land, labor and money is a cultural and social one. Because land, labor and money are not commodities, their values are then not primarily economic. The commodification of them is what makes them economic. This is in essence what creates the backlash of traditionalist and nationalist conservatism, against cultural progressivism that is more found on the left.

## 6. Conclusions

The double movement in the Swedish case is very observable. In a majority of the post-war era, Sweden had uninterrupted social democrat rule, where it became known for being a state with strong workers' protection. The level of income and wealth inequality in Sweden in the 70s was among the lowest in the world (Piketty 2015, 278). Starting in 1985 with the deregulation of credit, we see the start of the free-market liberal movement. The deregulation was followed by an almost immediate increase in housing costs and indebtedness. Money and housing became recommodified, and in order to sustain the new equilibrium of rising indebtedness and house prices, inflation had to be tackled, which commodified the final component of the fictitious commodities. Rent prices have increased, and the previously fairly distributed public housing, which enabled poorer people to live in attractive central areas, is now unattainable for many. Long waiting times due to selling of public housing, as well as the coming market-rate rent-levels makes Stockholm a city available for fewer people to live in.

In the Swedish case, there is a pattern appearing. Each liberalization, in money, land and labor, is used to argue for further liberalizations in the fictitious commodities. The deregulation of credit was also mentioned by a civil servant at the central bank as a move to force the politicians to pass a large neoliberal tax reform. The 1990/1991 tax reform was a collaborative effort between social democrats and conservatives, and included cuts in capital tax, top marginal rates and the partial abolishment of wealth tax. This partial abolishment gave rise to tax-evasive behavior, which a later government used to completely abolish the wealth tax.

In the housing sector, there are similar movements. The availability of credit turned housing into a commodity for the financial markets. Non-commodified housing only has use-value, but commodified housing also has financial value, which is subject to speculative behavior. The dependency of rising house prices has the effect of tying the societal financial well-being to a

system that excludes people from purchasing housing. Loss of income has more detrimental effects on where you are able to live. Simultaneously, the rental market is becoming increasingly precarious. As the supply of rented housing decreases, and the demand for it increases (with urbanization and immigration), market forces would want to push rents up, but have until now been prohibited to do so at a “market rate” as they are publicly held. Rents have increased at a faster pace than Consumer Price Index since deregulation, but not at the same pace as purchased housing, which is subjected to market prices. This development has led to a coalition of social democrat and liberals in Stockholm City Hall adopting “market-rate rents”, starting 2021, which the Swedish Union of Tenants predicts will have the effect of increasing rents throughout the city, especially in the center (Swedish Union of Tenants 2018).

The deregulations and reliance of increasing house prices would however not work without keeping inflation in check. The post-war eras’ decrease of real house prices was the result of inflation remaining at a high level in order to maintain full employment. The nominal house prices were still increasing. The increased lending to housing development companies required the interest rate to remain stable, or both bank and company profits would be eaten up by inflation. Thus, the goal of full employment was dropped in order to accommodate the need to stabilize inflation. Again, liberalizing reform has had a butterfly effect upon the rest of society. Without full employment targets, the labor was again recommodified, in Esping-Andersens terms. Market forces dictate the unemployment levels in a more direct way, which was evident during the 1990s and 2008s crises, as seen in Figure 7.

The evidence from this glance at the Swedish case of liberalization supports Polanyi’s double movement theory. The distinct move towards neoliberalism, has been followed by a distinct counter-movement towards far-right nationalism. Polanyi’s theory is perhaps now more convincing, the same double movement as he described in 1944 is observable in Sweden in the 21<sup>st</sup> century. However, the theory cannot explain time frames for when the countermovement occurs. Although Sweden disembedded 10-15 years later than many other European states, the rise of far-right nationalist parties has been concentrated to the mid 2000s and 2010s, like elsewhere in Europe (Lewis et al. 2018). It also seems that the countermovement is primarily organized on the right, and not on the left.

However, there are a handful of newer left-wing movements that have sprung up in the past decades; SYRIZA, Podemos, and the Bernie Sanders presidential campaign are examples. But they have been unsuccessful compared to the right-wing countermovement. It is not explained in the Great Transformation or any of Polanyi's subsequent work why this is the case. The theory proposed in this thesis at the end of the analysis is that the right is culturally nostalgic and the left is culturally progressive. The countermovement is by definition a movement against "modernity"; the social progressivism on the left may be less convincing than the nostalgic conservatism of the right in a situation where modern solutions have caused the social dislocations. This is however an undeveloped theory that should be explored in another text.

What the future of Swedish neoliberalism holds is unclear. What I have attempted to do in this thesis is continue Hollander's work on applying Polanyian theory to the Swedish case (2017). Such a task could not be accomplished in one master's thesis, perhaps it could in a full-length book, but it is certain that the theory may be used to analyze the development in Sweden. Many individual acts of liberalization with effects have been ignored, in order to fit all three Polanyian fictitious commodities into the research, and if there was more space it would've been interesting to look at the effect of the floating of the currency. Polanyi attached weight to the end of the Gold Standard, which effectively floated the currency before the Second World War, but in order to keep a red line through the analysis of mainly the money and housing variables I chose to focus on the deregulation of credit. There is a great deal more work that can be done in this area.

## 7. Suggestions for further research

For a final point, other scholars are encouraged to look in a similar way at other countries. Sweden is hardly alone in facing high levels of indebtedness, a dependency on rising house prices, and precarization of labor. On the contrary, the reputation of the social democratic island in a sea of capitalism is the prevailing view on the country, and other countries facing these issues are often looking to Sweden for solutions (see: Block and Somers 2008). As argued in the section on relevance, this is perhaps the most helpful part of this thesis: the problems are of the same character described in other works in Polanyi (Notably: Block and Somers 2016). Less neoliberalization means not that issues disappear; they show later, in smaller numbers – but remain the same in character. Block and Somers use the Albert O. Hirschman

analysis of conservative rhetoric to describe the double movements in the US, and during my time researching for this thesis I have noticed many similar arguments in the Swedish conservative political landscape. An analysis of either finance, housing or labor from this perspective would likely be a revealing project.

While cities like London or New York may face higher incidence of reliance on finance and rising house prices; the commodification of labor, while high in both those cities as well, is nowhere near as extreme as the conditions in the textile factories in Bangladesh, for instance. The Satanic Mills of 18<sup>th</sup> and 19<sup>th</sup> century Britain are now found in developing countries. Polanyi-Levitt does incorporate a Polanyian view of development economics in her works, but there is still plenty of work for future economic anthropologists in this field.



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