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Ideas, Institutions and Innovation: Economic Policy Making in Canada and Sweden

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The Political Influence of Ideas

POLICY COMMUNITIES AND THE SOCIAL SCIENCES

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Ideas, Institutions, and Innovation: Economic Policy in Canada and Sweden

Neil Bradford

Not ideas but material and ideal interests govern human conduct. Yet very frequently the "world images" that have been created by "ideas" here, like switches, determined the tracks along which action has been pushed by the dynamic of interests.

Max Weber

This chapter addresses two important issues in recent debates about the state and public policy: strategic choice and historical change. It argues that renewed attention to the role of economic ideas in shaping political behavior and policy formation can enrich understandings of choice and change. We begin with a theoretical discussion suggesting a way to conceptualize the political power of economic ideas within an institutionalist analysis of state-society relations. The focus is on the process of political representation, exploring how patterns of conflict and compromise are shaped by the organizational expression of ideas. The concept of learning network is introduced to facilitate cross-national study of how policy discourses are created and acquire influence in different national settings. The chapter offers a comparative-historical review of the dissemination of Keynesian economic ideas in Canada and Sweden. It then considers the significance of learning networks as historically evolved configurations of "discourse defines" within post-war Swedish and Canadian economic policy communities.
BRINGING IDEAS BACK IN

Policy Communities and Learning Networks

Under what circumstances can human agency change systems of social relations, and in what direction is such change likely to proceed? This question has been at the heart of recent controversies within state theory, triggered by the demise of once popular structuralist formulations. Various functionalist traditions described the process by which “objective interests” rooted in structures of production were politically expressed in ways conforming to long-term systemic needs. Statist writers first disputed the reductionism inherent in such society-centered theories of politics, arguing that country-specific factors, ranging from the predispositions of officials to the organization of government institutions, intervened between social structure and political choice with significant effects on historical outcomes (Skocpol, 1985). The statist corrective to functionalism and pluralism usefully shifted the analytical focus to actors and institutions, rekindling theoretical interest in historical contingency and cross-national variation in policy processes and outcomes.

However, this sensitivity to divergence and openness has not yet produced fully adequate accounts of state behavior. Hollow statist notions of the “national interest” or “bureaucratic politics” tell us little about why states act the way they do. Similarly, preoccupation with the weight of policy legacies and institutional rigidities in channeling political life reintroduces a structuralism into state theory that obscures recognition of critical conjunctures when human agents construct the interpretive categories ordering their world.

These explanations of the state’s role in capitalist democracies remain partial because their assumptions about behavior and goals—the national interest, class interest, functional requirements, and so on—are foreclose empirical engagement with ideological and political struggles constituting social relations and policy patterns. Still underspecified in both functionalist and statist models is the process by which agents attach meanings to material conditions and mobilize to embed such claims in the decision-making routines of the state. Dissatisfaction with arguments that states either pursue an autonomously formulated “national interest” or remain beholden to capitalism’s structural imperatives has renewed concern with the creative role of ideational politics. Relaxing structuralist assumptions about the organizing principles of politics without embracing an unsatisfactory state-level pluralism raises important questions about how decisionmakers come to recognize problems and conceptualize solutions (Hall, 1989, 1990).

Of course, this concern with thought and culture is not new. Within political science much work has been done from the cultural values perspective, deducting explanations for action from the mix of values and beliefs congealing in societies. Critical variants of this approach isolate the ensemble of ideas, symbols, and meanings embedded in the dominant ideology, tracing the reproduction of class relations to legitimating cultural practices. Despite divergent worldviews, “political culture” and “dominant ideology” theories are deficient in their exploration of concrete historical settings where such influential notions are created, contested, and confirmed. In consequence, any argument relating politically significant idea systems to state action remains undeveloped. Recently, an attempt to bridge this gap has come from theorists stressing the autonomy of ideas within a broader claim about the “irreducibility of politics” (Block, 1987: 18–19; Laclau and Mouffe, 1985). Discourse theorists have described pluralistic competition—seemingly immobilized by any systematic relations of social or institutional power—between different discourses, relating political outcomes to the persuasiveness of certain “universalistic” visions articulated by social groupings. This approach highlights the human agency involved in the creation of culture and the formation of political identities. However, in its preoccupation with overturning past arguments about structure and determinacy in politics, it appears to endorse the equally dubious position that anything is possible in an unpredictable world driven by debate (Block, 1987).

In short, none of these approaches clears a path to the state and its decision-making environment beyond the limited horizons of an abstract materialism or idealism. Sweeping “top-down” arguments about the primacy of culture (or the ideological imposition of consent) are as unconvincing as their opposite—the notion that the discursive formulations of any social group can be recognized and acted upon by policymakers.

In this chapter we argue that what is needed at this point is a middle-level analysis paying close attention to institutional settings in which state officials and societal forces create authoritative interpretations of so-called objective conditions (Bradford, 1994). In any policy sector certain ideas cohere as frameworks modeling the field of strategic action for decisionmakers. These integrative conceptions specify what is wrong, what can be done, and what technical and political instrumentality is available to sustain or adapt policies. Such ideas systems constitute a policy discourse structuring thought and action over time in particular areas (Ross, 1987; Brooks and Gagnon, 1990: 58–59). Policy discourses are neither invented by the state nor dictated by social forces. They are historical constructions—interpretative frameworks created and maintained by political actors engaged in an on-going struggle to embed “official” understandings of complex situations.

Here, we can build on the observation that “certain conceptual vocabularies” acquire influence over the behavior of diverse political actors because of “the successful work of organized discourse definitors” who conceive their strategic task to be that of defining the “true meaning” of events and
processes" (Ross, 1987: 57–58). Every political system contains a distinctive constellation of actors—party politicians, interest group representatives, civil servants, professional experts—channeling the flow of ideas and information between state and society. From this vantage point, policy formulation can be viewed as proceeding inside identifiable networks of discourse construction, housed within policy communities at the interface of state and society. Across countries, specific relations of political forces have evolved to acquire legitimacy as deployers of strategic understandings about desirable policy developments and the appropriate boundaries of state action. Therefore, substantial variation in both the actors and locales critical to policy learning may be observed, arising from differences in social structure and organizational patterns (Boodo, 1974). Learning networks can find their institutional base in a variety of policy-relevant settings, including the party and interest group systems, the bureaucracy, the judiciary, public inquiries, and commissions.

Accordingly, the internal properties of such configurations of organized discursive defensiveness—their social base, patterns of interaction, intellectual traditions, modes of analysis—are important in policy analysis. These networks are not launching pads for the doctrinal breakthroughs of individual thinkers any more than they are transmission belts for objective interests. Rather, they express the "organizational intelligence" of a political system, crystallizing certain ideas and interests into operational discourses that clarify policy goals and map political alliances (Hall, 1986: 232–34; Hodgkins, 1968: 250–60; Fontanari, 1988: 40). There are moments when these collective deliberations are especially intense and their political impact particularly significant. Creative work in the realm of ideas during periods of great uncertainty can mobilize new partisan formations, recast social coalitions, and shift the orientations of policy elites (Gourevitch, 1986, 1989). Innovations in the goals and instruments animating the policy process find their origins in the productive activity of organized discourse defensiveness in periods of crisis. Such episodes may fruitfully be considered turning points within a larger historical process of debate and struggle over political identities and policy projects.

To analyze the intellectual content and political logic of strategic policy choices, this chapter focuses on nationally specific learning networks within economic policy communities. For empirical reference it draws on Canadian and Swedish responses to the crises of the Great Depression. During the 1930s, long-standing views of the economy and basic social accommodations were challenged by the combination of mass unemployment, skyrocketing debt, and collapsing trade. From the upheaval eventually came adjustments in relations between state and society, inspired by new economic ideas that offered both an intellectual rationale for policy departures and the ideological foundations for novel political mobilizations. Our aim is not to contrast outcomes between cases as a way to generalize about economic performance in these two very different political economies. The goal is to use "individualizing comparisons" to investigate how different political forces elaborated new policy understandings in a period of acute international economic pressure and domestic political confrontation (Myles, 1969: 7). The varying processes by which similar re-defining discourses entered nationally specific patterns of state-society relations to overturn policy premises and practices are highlighted.

ECONOMIC IDEAS AND THEIR POLITICAL CONSEQUENCES: A CANADIAN-SWEDISH COMPARISON

Nineteenth-Century Legacies

Historical patterns of economic and political development create organizational contexts for discourse construction. From country to country distinctive combinations of parties, interest organizations, civil servants, and experts may cohere as creators and carriers of the ideas that shape relations between state and society in policy sectors. The Canadian and Swedish cases bring this variation into sharp focus, each constituting a kind of ideal-typical expression of different forms of political organization. Swedish and Canadian paths to modernity, charted through nineteenth-century dynamics of industrialization and democratization, left in place very different templates for contemporary economic policy-making (Berger, 1981: 1–23).

Simplifying greatly, Canada emerged from this formative period a fragmented and dispersed political community. Salient organizational features included parochial forms of group formation and collective action corresponding to a divided constitutional structure, regionalized economy, and ethnic-cultural divisions. The national party system was dominated by basically indistinguishable cadre factions brokering ad hoc electoral coalitions disconnected from programmatic considerations or enduring policy principles. Regular channels of liberal democratic representation remained underdeveloped as first Conservative and then Liberal politicians, without deep roots or broad presence in civil society, engineered nation-building deals with business elites and provincial officials. In fact, many critical political functions involved in consolidating the nation were given over to a federal bureaucracy coordinating immigration, transportation, and tariff policies. The federal Department of the Interior, for example, was "handed a political mandate" in the 1870s that was "crucial in formulating and executing the policies of 'defensive expansionism'" (Wilson and Druved, 1982: 9). It follows that Canada entered the modern era with a peculiarly stark institutional-political configuration composed of a weighty federal bureau-
bureaucracies, and debt-ridden subnational governments spawned a variety of new parties and movements expressing concern with the Dominion government's attitude toward capital cities and federalism. Unfamiliar pressures were placed on the state system in the early 1930s as deep-seated divisions in Canadian society suddenly became rallying points for rival organizations articulating radical alternatives.

As many writers have emphasized, however, for a variety of reasons these pluralistic currents of class and regional protest never acquired the political status of a lasting red interest coalition unified by a coherent policy discourse (Elzenbaft and Armstrong, 1981; Lasere, 1980; Simons and Robinson, 1990). Indeed, at the height of this social turbulence, the 1935 election intervened only to effect a routine transfer of majority power from the Conservatives to the Liberals. Both governing parties were steadfast adherents to the classical fiscal-constitutional orthodoxy of "sound finance and responsible government" (Neatby, 1976). The disbelieved registered in all quarters when Conservative Prime Minister R.B. Bennett suddenly announced a death-bed conversion to a "New Deal" was amply confirmed in the 1935 campaign when neither he nor his Liberal opponent Mackenzie King offered any support for such ideas. In fact, the 1935 election effectively closed down the possibility that party-led social movements would bring new solutions to a paralyzed state system. Throughout the 1930s the imbalance between society's popular discontent and the state's policy inaction remained largely unaddressed by national party politics (Underhill, 1975: 164-82, 192-202).

It was in this specific context of political representation at the national level in Canada, where long-term policy debates were not excised in the thought and strategy of governing parties or social coalitions, that a technocratic caste of policy intellectuals became critical agents of policy, directing the changes necessary to meet the Depression crisis. Canada's federal party system was oriented toward personality politics and cultural accommodation; the interest group system was too fragmented to devise or build support for national-level policy projects. Consequently, policy intellectuals, mobilizing ideological and organizational resources in the expert world of state commissions and intra-bureaucratic committees, assumed key roles in the reshaping of Canadian state-society relations that occurred during the interwar and wartime periods. With successive Conservative and Liberal Cabinets floundering in the face of protracted fiscal and social crisis, the King government finally responded in the late 1930s by appointing two commissions of inquiry mandated broadly to explain the origins of the breakdown and clarify the path out of the impasse. The National Employment Commission (NEC) and the Royal Commission on Dominion-Provincial Relations (the Rowell-Sirin Commission) became institutional-political focal points for the mediation of popular struggles and for the creation of new
constitutional-economic categories. In their wake, the discursive context for partisan and inter-governmental policies in Canada was transformed.

Appointed following the celebrated Dominion-Provincial conference in 1935, the NEC was initially viewed by the King Cabinet as a further line of defense for protecting the federal treasury in the face of devastating unemployment conditions (Struthers, 1985: Ch. 5). Savings would result from the commission’s careful scrutiny of relief eligibility, grants-in-aid, and provincial and municipal administration. The reformist Canadian Forum accused the government of the “cruellest kind of empiricism” in framing the commission’s work outside of an analysis of the “axioms of capitalism in its present phase of restriction of production” (Canadian Forum, 1936: 3, 5).

However, to the dismay of the prime minister and critics alike, the NEC’s 1937 Final Report did not simply pile up more statistics to buttress prevailing practices. It unveiled policy proposals suggesting a new course of action beyond the orthodoxies. Its economic analysis introduced new techniques of public finance into Canadian policy discussion, explicating how adjustment to international market conditions could be stabilized through timely measures from the federal government to offset business cycles. Successful implementation of these economic ideas was linked to a call for political leadership in transferring constitutional authority over employment policy to the federal government. Although the prime minister was outraged by such official presentation of these ideas, senior bureaucratic officials responded favorably and began to incorporate them into their fiscal thinking and budget preparations.

These initial departures set the stage for three years of further debate, research, and deliberations carried out in the Royal Commission on Dominion-Provincial Relations. The Rowell-Sinors Commission fully elaborated the connection pointed out by the NEC between an altered conception of the state’s role in society and greater federal power in economic policy (Owram, 1986: Ch. 9). Centralization of taxing capacity in Ottawa, the commission argued, would facilitate counter-cyclical budgeting to attack unemployment and would allow for coordinated fiscal transfers between provinces to counter the regional disparities historically associated with federal economic governance. The policy notions talked by the NEC were forcefully integrated by the Rowell-Sinors Commission in its central argument relating the introduction of Keynesian economic and income stabilization doctrine to Canada’s historic political preoccupation with national unity.

These two commissions brought into focus an alternative discourse (policy goals and means of implementation) beyond the polarized visions of a unitary state and planned economy peddled by radicals, or the classical federalism and budget balancing defended by politicians in power. The concept of state intervention was appropriated by the commission experts from the anti-capitalist planners (Scott, 1937–1938). Equally important, they also clarified for conservative advocates of “responsible government” the constitutional blockages and political obstacles to such fiscal balance and administrative efficiency in the modern industrial age. A reform agenda was unveiled that envisioned federal economic leadership but did not run roughshod over provincial sensibilities (Smiley, 1962). Its implementation could proceed through bureaucratic negotiation of new inter-governmental fiscal arrangements, potentially sparing Canada’s risk-averse federal ministers from the political troubles associated with securing formal constitutional amendments to allow state action.

Keynesian ideas came to Canada through expert inquiries as part of an emerging regime of scientific policy management by economic professionals. This project laid the foundations for a governing partnership between technocratic officials and an emerging progressive faction within the Liberal Cabinet led in the late 1930s by Labour Minister Norman Rogers. Of course, the ever-cautious prime minister, Mackenzie King, waited anxiously on the sidelines as the experts—hailed in the popular press as authors of a “Charter of Re-Confederation”—dissected the country’s problems and developed solutions (Powler, 1940). Yet eventually he revised his outlook. His government had quietly responded to the NEC proposals in their fiscal budget statements of the 1930s, introducing a new form of public works expenditures into federal economic policy (Brocher, 1957: 215–19; Struthers, 1983). In 1941, the Cabinet followed this initial breach with formal support for the Rowell-Sinors package. Abruptly ending a decade’s resistance to economic and constitutional change, King convened an inter-governmental conference to advertise his conversion and sell the Cabinet’s new discoveries to the provincial premiers and the public.

Mackenzie King recognized that the commission discourse contained the intellectual reference points for a new era of “centrist” politics in Canada (Pickenhill, 1980: 161). His governing Liberal Party could assume bedazzling “rolling compromises” at each election, backed by the framework of ideas from the technocrats integrating national economic stabilization and regional income equalization. In all of this, Canada’s process of policy innovation was organized through commissions rather than elections or inter-governmental conferences. They became the “switchpoint mechanism” for the political system. Political conflict rooted in social power movements questioning capitalist’s power and the country’s balkanization was mediated in the late 1930s by commission-based policy intellectuals and their new concepts—counter-cyclical budgeting, national adjustment grants, income security programs, automatic stabilizers, and the like (Ricc, 1985: 223–32). In the end, it was wartime that completed the political movements necessary to institutionalize those policy ideas. Opposition from three provincial premiers to the fiscal plan was disregarded as the basic Keynesian framework for manipulating and monitoring investment and expenditure flows...
was rapidly introduced with the onset of the war. Many of the professional experts moved from the commission arena to administrative agencies and departments at the center of the wartime policy apparatus (Granatstein, 1982). The war became the crucible testing ground for the new techniques, and their success in organizing emergency production ensured that those responsible for their design would be well positioned to guide the post-war transition. In fact, the new era’s benchmark statement, the 1945 White Paper on Employment and Income, was conceived and written by W.A. Mackintosh, the intellectual architect of the innovations contained in the commissions of the 1930s (Mackintosh, 1965). Similarly, the Greens Book social policy proposals prepared for the Reconstruction Conference in 1945 repeated earlier commission-generated arguments merging claims for fiscal centralization, economic stabilization, and political unity (Mackintosh, 1953). These remarkable achievements in technocratic policy entrepreneurship were the logical culmination of a decade’s worth of intensive mobilization by intellectuals within Canada’s learning network.

Developed by economic professionals from strategic niches in an expanding bureaucracy, Canada’s Keynesian discourse envisioned minimal institutional change beyond sustaining the fiscal momentum of the federal government secured through successful administration of the wartime economy. Beginning with the initial reflections on the crisis in the commissions of the 1930s to the White Paper and Greens Book government declarations in 1944–1945, the goal was always to exercise general control over the economic environment by influencing aggregate components of national income. Federalism demanded the negotiation of complex inter-governmental fiscal arrangements to ensure the efficacy of such a national budgetary strategy; other more political forms of Keynesianism designed to modify economic ownership or plan national outcomes had been explicit dis- missed during the initial Rollen-Silos deliberations on the crisis.

In post-war Canada, the politics of embedding the Keynesian revolution thus turned on renovating national administrative capacities to establish a more rational and efficient political economy. To stabilize the economy and rationalize the federation were goals demanding full post-war mobilization of the expertise of the new policy scientists (Lamontagne, 1934: 151–52). Here, the aim was to insulate policy formation from both the narrow, regional interests expressed through the decenteralizing institutions of federalism, and the short-run factional and sectional interests expressed in the brokerage party and interest group systems. During the 1930s, these representative channels had only sustained what the technocrats saw as outdated constitutional understandings and enlightened conceptions of the state’s potential to achieve economic and social goals through “intelligent” monitoring of market activity (Mackintosh, 1948: 15–18).

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Politicians in power eventually welcomed the new solutions from the technocrats because they involved minimal institutional-political change, comfortably incorporated within existing partisan practices and administrative procedures (Cairns, 1958: 168). This package mobilized a generation of policy intellectuals, conferred broadly to established state capacities, and satisfied pragmatic politicians searching to reassure electorate and business elites about markets and growth (Wolfe, 1984). Canada’s pattern of “experts on top, not on tap” was consolidated as the “Ottawa men” deployed their resources, coordinating rapid expansion of the state’s data-gathering capacity in relation to the new economic theory (Granatstein, 1982). They established inter-departmental mechanisms for integrating such scientific advances and consultative forums linking technocratic elites monitoring the results of policy measures (Dumb, 1984–1985). There was, as Robert Campbell observed, “a willingness on the part of labour, capital and the politicians to allow the bureaucracy to get on with the job of managing the economy” (Campbell, 1987: 68). This peculiar technocratic embedding of economic ideas followed from the relationship between holders of scientific policy knowledge and representative institutions forged during the crisis period of the 1930s.

Policy Innovation and Post-War Settlement in Sweden

Economic policy-making in Sweden during the 1920s was dominated by classical assumptions of how self-regulating capitalist economies worked. Chronic unemployment throughout the decade did not occasion any sustained departure from restrictive budgetary practices, the gold standard, and free trade. After playing a key leadership role in the popular struggles for universal suffrage, the Social Democratic Party unexpectedly found its forward momentum stalled. The electoral benefits anticipated from political democratization failed to materialize. Liberal, Conservative, and Agrarian forces coalesced in opposition to Social Democratic policy initiatives, particularly in regard to taxation and industrial relations matters. There was no majority waiting to follow the Social Democrats along the parliamentary road to socialism. Confined largely to its bedrock working-class support in the elections of the 1920s, the Social Democrats were unable to exercise any decisive influence on government policy-making (Martin, 1984: 193–202).

In fact, the political neutralization of the party was matched by limitations in its own analysis of the employment crisis and policy responses to the steadily deteriorating economic conditions. The Social Democrats explained the economic crisis as a consequence of capitalism’s irrationality, but that theoretical critique deflected the party from exploring policy options short of the long-term goal of socialisation. Even here the party temporized;
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minimal attention had been given to the organizational and political requirements for implementing an economic program based on public ownership. Accordingly, the Social Democratic leadership, when participating in Sweden’s minority governments of the 1920s, deviated very little from the economic liberalism of other parties. By default the Social Democrats followed the view that deflationary measures (including wage reduction) would facilitate the private investment necessary to provide relief to the unemployed (Higgin, 1985: 215-16).

However, in 1930 the Social Democrats broke with the orthodoxies, proposing in the Swedish Parliament a bill for greatly increased state spending on public works to stimulate the economy. Embracing these ideas effectively delivered the party from both its policy impasse and its political dilemma. What factors led the party leadership to this dramatic shift in thinking? The new policy emerged from learning dynamics driven by the interplay of ideas and action within the political and industrial wings of the labor movement. Theoretical innovation, electoral strategy, and organizational interest emerged in the 1930s to generate and sustain this alternative economic project.

In this context a series of developments between 1928 and 1930 proved critical. In 1928, the Social Democrats suffered a significant electoral setback, with their share of the popular vote dropping by 4 percent. This defeat triggered a far-reaching internal review of the party’s economic policy and its connection to electoral strategy (Hamilton, 1989: 166-88). From these deliberations came the consensus that the party’s future depended on its capacity to attract the votes of small farmers and rural workers, unbundling the Agrarian Party from its partnership with Liberal and Conservative parties. The positive experience with alliance politics from the earlier constitutional struggle could now be replayed by the labor movement, substituting Agrarian for Liberals based on recognition of cross-cutting economic interests. Influential intellectuals such as Gunnar Myrdal argued that the 1928 campaign run on the conventional, long-term socialist program had only accelerated the movement of farmers over to the bourgeois parliamentary bloc. Consolidation of the strategic realignment, however, presupposed two departures: first, new economic thinking to specify common ground between historically opposed labor-agrarian formations; and second, new party leadership to link such policy ideas with political support (Geenwitz, 1989: 93). Here, Ernst Wigforss’s theoretical work and Per Albin Hansson’s conditional politics find their historical significance in Swedish public policy.

In 1930 Wigforss published the first of a series of pamphlets clarifying an “action program” between labor laissez-faire and Marxist breakdown theory. In an original reformulation of underconsumptionist theory, Wigforss provided an economic rationale for counter-cyclical budgetary policy in times of less than full employment (Mysel, 1973). This orientation accommodated the call in 1928 from the trade union leadership for the party to campaign for a new productive, public works program paid at market wages. Such a scheme would replace the existing system of below-market wage relief works that the state had used to undermine public sector unions and erode the movement’s market power, rather than provide more employment. Expansionary measures could respond to the demands for economic stabilization from both urban industrial and rural agricultural workers.

The Social Democrats, of course, mobilized around this recovery program in the next election. In 1932, with the full effects of the Depression plunging Swedish export industries into crisis and causing unemployment to rise to over 20 percent, the Social Democrats won their greatest number of parliamentary seats. However, the party fell short of a governing majority and the specter of a return to the failures of the 1920s persisted. Against this backdrop, the party used the new economic thinking to define the terms of a parliamentary deal with the formerly hostile Agrarians. The ideals gave substantive and strategic meaning to the social democratic concept of the “people’s home” popularized by Per Albin Hansson. Armed with their unorthodox economic proposals, the Social Democratic leadership could now explore a new form of democratic political practice: forming an alliance around party policies with organized economic interests while also engaging voters in a dialogue over their merits. In 1932, Hansson described the party’s approach to group and electoral coalition building:

one has to seek to weave together interests, to get more and more people to integrate their special interests in the common interest. The latter is the same as getting the citizens to think and act democratically. It is possible that one can get the elite that presently dominates our economic life to act in this way. (Tillom, 1990: 180)

In 1932, the Social Democrats launched their loan-financed recovery package. Between 1932 and 1936 legislation for public works, agricultural price supports, unemployment insurance, and pensions was passed through the “red-green” alliance. Moreover, each of these policies was institutionalized in the state’s operating procedures through political rather than bureaucratic mechanisms. The theoretical rationale for this alternative administrative structure had been elaborated in the writings of party theoretician Nils Karleby (Tillom, 1990: Ch. 4). Karleby argued that social democratic progress depended on expanding working-class capacities in civil society, not on placing reform-minded technocrats throughout the existing state apparatus. Under the leadership of Social Democratic Minister of Social Affairs Gunnar Möller, Karleby’s ideas about class power and public administration were put into practice. During the 1930s, responsibility for the design and implementation of many elements of Swedish social policy was assigned by the trade union movement itself. In this way the new programs
reinforced the organizational strength and improved the policy competence of the Social Democratic Party's core electoral constituency (Roothstein, 1985).

For reasons largely unrelated to the economic effects of these policies, by 1923 the Depression began to subside. Rising external demand for Swedish products spurred by earlier currency devaluations, more than domestic stimulation, has been judged the critical force in the economic turnaround. For more significant for the Social Democrats were the political consequences of their economic ideas, which extended beyond the partisan arena to facilitate a new accommodation between the labor movement and organized business. When a strike in the building trades jeopardized the party's parliamentary base in 1933, the trade union central took the unprecedented action of intervening to impose a settlement on the grounds that party control of the state altered the strategic context for achieving the overall goals of the working class (Svensson, 1989).

Similarly for business, the political success of the "red-green" alliance—reconfirmed in the 1936 election—forced reconsideration of its historic reliance on state policy to wage class struggle. Peering hostile political intervention and with its domestically oriented sectors benefiting from demand stimulation, the employers' organization sought a compromise with the labor movement. The Social Democratic Party's economic ideas and political strategy had created innovative policies calling forth altered assessments of "class interests" by key private actors. Business and labor both reflected anew on their strategic positioning within the Swedish political economy in the wake of the 1932 and 1936 elections. These recalculations were confirmed in the 1938 Basic Agreement stipulating conditions for industrial peace and productivity; business recognized labor's dominance in the polity and labor recognized the economic power of business (Pontusson, 1987: 471-93).

At the height of the Great Depression, Swedish channels of political representation engineered three historic shifts: the recasting of parliamentary alliances, the renegotiation of relations between business and labor, and the reorganization of the state's place in the economy. In these interrelated breakthroughs the role of economic policy ideas loomed large. During the late 1920s, proto-Keynesian notions emerged within the labor movement as the party sought to overcome political isolation and the trade unions cast about for ways to arrest organizational decomposition. Resolution to these strategic dilemmas was not visible within prevailing policy discourses. Demand stimulation through government spending was an idea empowering the Swedish labor movement. It became the binding agent for a partisan mobilization and political realignment that gave the labor movement new and significant influence over public policy. The terms on which the state's economic role was debated by political actors changed in the mid-1930s.

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from sound finance and wage deflation to employment creation and welfare provision. Keynesian ideas entered Swedish politics as a response to problems facing a politically neutralized yet structurally well-positioned labor movement. They mapped the ground for a new cross-class coalition represented by parties and interest groups (Pontusson, 1988: Ch. 2, 3).

At the end of the war the labor movement collaborated to develop a new program departing substantially from the inter-war package. Drawing on the wartime experience with the regulation of production and anticipating that a return to Depression-like conditions was imminent, the coalition called for state investment planning and intervention in enterprise decision-making. However, these doctrinal changes were politically marginalized. First, the persistence of near full employment reduced greatly the persuasiveness of the new program's economic prescriptions. Second, the defection of the Agrarians signaled that these ideas could not sustain the cross-class coalition orchestrated during the 1930s. Indeed, they served to mobilize business and party opposition against the Social Democrats in the ideologically charged election campaigns of 1944 and 1948. Following successive electoral setbacks, the Social Democrats reorganized the "red-green" alliance in 1951. The terms of the 1930s compromise were reintroduced in an altered strategical setting for economic policy formation and political mobilization—full employment and inflation. Organizational pressures and innovative thinking within the labor movement converged once again to introduce an economic policy framework sustaining Social Democratic governance through a new cross-class political compromise (Esping-Andersen, 1985).

Keynesian Revolutions Compared

The innovations common to Sweden and Canada were created and carried out by different political actors moving within system-specific networks of discourse construction and political representation. In Depression Sweden, national interest groups interacted with parties to debate novel policy ideas, promoting frameworks that became the basis for electoral conflict and coalition building. The elaboration of demand management ideas was linked to (and emerged from) the convergent strategic objectives of the political and industrial wings of the labor movement. Parties and interest groups faced the crisis of the 1930s with their own Keynesian-style policy ideas conceived in relation to political strategies for organizational survival.

As such, two decision-making arenas quite peripheral in the Canadian case—national elections and the internal dynamics of interest organization policy formulation—became significant loci of Swedish adjustment and innovation. In Canada, the policy shifts beginning in the late 1930s and con-
The preceding analysis of the inter-war and wartime periods developed a number of points about the historical relationship between economic ideas, systems of political representation, and policy-making at moments of crisis in Canada and Sweden. Attention was drawn to cross-national variation in the relevant mechanisms of collective choice and in the learning networks that filtered options, selected policies, and therefore structured outcomes. In mapping such institutional configurations—in effect, the differing Canadian and Swedish divisions of labor within the network among parties, interest organizations, civil servants, and experts—the discussion showed how different elite formations at the interface of state and society coped with crisis and directed change.

These findings about cross-national variation in the institutional settings and social agents organizing departures during this critical watershed invite further consideration of patterns over time. Have the policy communities and associated learning networks underpinning different post-war settlements in Sweden and Canada created enduring centers of "organizational intelligence" in each political system? Here the historical record of subsequent responses to significant international economic changes is suggestive of such embedded country-specific networks. Across the post-war period, the Canadian and Swedish political systems have evolved characteristic ways of generating and confirming new policy understandings in the face of uncertainty (Bradford, 1994).

Beginning in the mid-1950s, intense pressures were placed on economic policymakers in both countries to supplement stabilization and demand management concerns with supply-side measures for growth and capital formation. In Sweden, as many writers have described, post-war economic strategies evolved as a "series of deals" originating in the thought and strategy of the labor movement (Georevich et al., 1984: 365). The Rehn-Meidner model launched Sweden's departure from Keynesian principles showing how restrictive fiscal policy could be combined with an egalitarian wage structure reinforcing trade union cohesion and promoting capital efficiency. In the place of incomes policy and general expansionary measures it called for selective spending on labor market adjustment. Budgetary surpluses would not only finance worker retraining and mobility but also provide a public capital fund to supplement private investment in the non-inflationary macro-environment.

Implementation of this economic framework was secured through party politics and interparty group negotiation, against the backdrop of changes in Swedish class structure and corporate behavior. Specifically, in post-war Sweden farmers were losing their political significance to the new middle class, and the operations of industry were becoming increasingly internationalized. In this setting, the Social Democrats embraced active labor market policy and a supplementary public pension scheme to forge a new coalition of wage-earners and export-oriented industry behind the Rehn-Meidner structural change economic policy—a policy opposed by farmers and the generally less profitable home market firms. Core elements of the Rehn-Meidner model were confirmed administratively and politically in the late 1950s; first, the party greatly expanded the national labor market board and then cemented the new wage-earner coalition in the 1960 election, fought explicitly over the pension fund concept with its associated public investment strategy.
The latest chapter in this story would begin with the labor movement's third major economic policy initiative in the modern era—the wage-earner funds proposal, conceived by the blue collar trade unions in the context of the protracted economic problems of the 1970s and 1980s. The fate of that project poses complex questions about the historical and structural limits of Sweden's post-war learning regime rooted in labor movement innovations and policy-oriented mobilization. Indeed, the 1990s resemble the 1920s and the late 1940s as the Swedish labor movement grapples with the contradic-
tions undermining familiar policy frameworks and grapples for new economic policy understandings responding to the organizational goals of both unions and party.

In Canada, the same post-war search for new economic perspectives was launched in 1955 through the Royal Commission on Canada's Economic Prospects (the Gordon Commission). This commission offered a multi-
faceted re-evaluation of post-war practices, challenging established views of policy problems and goals, state-economy relations, and policy instruments (Kent, 1958). Questions raised by the commission about economic control and ownership, the spatial distribution of production, and the national econ-
omy's structural balance could not be formulated within Canada's Keynesian
.data-driven automatic stabilization framework. Answering them meant inventing a new mix of policy instruments for domestic capital formation: discretionary corporate taxation, relaxed anti- combines regulations, quid pro quo bargaining, and selective protection in foreign economic relations. In these fundamental areas beyond the boundaries of prevailing thought and action, the commission proposed a series of interconnected departures. The Gordon Commission set in motion an extended period of economic policy experimentation by successive Liberal and Progressive Conservative federal
governments. Beginning in the 1960s, divisions over these commission-
introduced ideas became institutionalized not in the party and interest group
systems but in an expanding range of techno-bureaucratic agencies assuming
key policy-making functions (French, 1984; Clarke et al., 1991). Although
central issues of economic strategy in Canada were "banished from the arena
of partisan political discussion," there continued a "force dispute amongst
Canada's intellectuals... reflected within the state and in the formation of
state policy" (Williams, 1985: 666).

In fact, this latest round of techno-economic policy formation culminated in
the Royal Commissions on the Economic Union and Development Prospects
for Canada (the Macdonald Commission), appointed in 1982 (Brooks, 1990). Like earlier enquiring state inquiries, the Macdonald Commission
was created when the regular channels of political representation were
unable to devise, or build support for, credible solutions to serious economic
problems. Using its "unbounded mandate to formulate a more detailed and
sweping blueprint for change than any Royal Commission in modern
times," this inquiry became the crucial "policy event in Canada's twenty-
year search for a post-Keynesian framework (Toronto Star, 1985: 1). 

It scripted a new policy era wherein supranational agreements on "market dic-
tates" would overtake domestic politics in regulating the economy. Report-
ing in the wake of the 1984 election, its proposals for constitutional free trade
and welfare reform gave direction to a sparring new government rich in
parliamentary seats but poor in policy ideas and governing strategy. At the same
time, its public hearings brought into the policy system a range of pop-
ular forces that were subsequently galvanized into an oppositional political
movement contesting the inquiry's final recommendations (Simcox, 1987;
Cameron and Drache, 1988). Once again, the commission process in Canada
both organized and materially affected an important debate over alternative
economic futures (Clarke et al., 1991: Ch. 1). Not surprisingly, the 1988 fed-
eral election results confirmed policy choices and political alignments crys-
tallized during the term of the Macdonald Commission.

CONCLUSION

This chapter has utilized the concept of learning network to describe
country-specific processes of economic idea generation and public policy
formation. In Canada, economic professionals and civil servants have domi-
nated within a techno-bureaucratic learning network of Royal Commissions,
task forces, advisory councils, and inter-departmental committees. Policy
learning has been driven by various technostructures formulating over
the legacy of past policies. The generation of competing schools of thought
by economic professionals—Keynesianism, industrial strategy, continental-
ism, and the like—and their search for political confirmation via ad hoc par-
tisan-administrative factions has been central to learning dynamics and pol-
cy change in Canada (Chubb, 1987: 222-24; Williams, 1986: Ch. 7).

In Sweden, such debates and processes have been anchored in party and
interest group politics. Across the post-war period, learning has proceeded
through organizational exchanges between parties and groups pursuing com-
mon interests made visible by the injection of new economic ideas. The gen-
eration of frameworks from within the political and industrial arms of the
labor movement and their capacity to organize and maintain cross-class coal-
tions has been central to policy choice and change in Sweden.

This line of argument speaks directly to problems in recent neo-
institutionalists attempts to introduce ideas into theoretical models of policy
innovation. On the one hand, a decisively state-centered approach has been
developed by followers of Hugh Heclo's original formulation of the social
learning argument (Redd, 1974; Weir and Skocpol, 1983). These writers attach
special significance in determining outcomes to civil servant and
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5. Policy community is a useful organizing device for political analysis. However, the chapter argues that the concept of learning networks has greater explanatory potential because it focuses on the "momentary dynamics" of institutionalized political relations underlying policy compromises (Thompson, 1986). Policy communities contain learning networks, and it is the latter that captures the interplay of ideas and interests between state and society.

6. Our use of "organizational intelligence" is somewhat different from Peter Hall's (1986) original formulation. Hall emphasizes how organizational shapes inputs and mediates policy design and implementation. In this chapter "organizational intelligence" refers to the ideational and ideas-generated and disseminated within historically evolved institutional settings—that shape the definition of interests and strategic choices. Hall reveals more about the constraining dimensions of organizational life, whereas our interest is more with the creative capacities of political systems.

7. Background information for the Swedish case has been drawn from a variety of sources, including the following key texts: A. Martin (1994) and J. Passmore (1980) on labor movement politics and strategy; T. Totten on social democratic economic ideas (1990); M. Ramfjord on the Social Democratic party (1989); and B. Quistad on the "Stockholm" school of policy intellectuals (1973).

8. This capacity to mobilize support in the "private" world of organized economic interests and in the "public" world of elections has been the key to remarkable political success and policy achievements of the post-war Swedish Social Democrats. See J. Pomazana (1988) and O. Lipset-Anderberg (1993) for elaboration of the nature and limits of this governing project.

9. In Sweden, royal commissions are routine components of the highly organized consultation process that distinguishes Swedish public decision-making. In any given year hundreds of such inquiries may be at work. Far from being exceptional structures appointed at moments of deep policy conflict or uncertainty, they are very much part of normal politics and policy. Their membership is typically dominated by representatives from parliamentary parties and interest groups, narrowly charged to produce consensus around proposals originating in the political arena. In this light, the commission's process in Sweden has been instrumental to the "social democratic" strategic ability to divide, wear down through continuous consultations, and periodically coopt forces of their opposition" (Heeds and Mahon, 2001: 29). Royal commissions operate within the distinctive organizational context of the Swedish and Canadian political systems. Their strategic significance in the economic policy learning network varies accordingly.

10. The Toronto Star (1985) offered further commentary on the process.

The commission may also prove to be a gadfly for the Progressive Conservative government in Ottawa, which seems to have run out of ideas as to where to take the country. While in opposition, the Tories loudly denounced the establishment of the commission and the appointment of its head, former Liberal Minister Donald Macdonald. Now they may have to turn to it for an agenda.