

Chapter 5.

Classes, sectors and political cleavages

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Since the heyday of power resources theory it has been argued that a country's choice of welfare model, broadly construed to mean the extent to and way in which the state intervenes in and manages the economy, reflects the organisational strength and cohesion of unions and leftist parties (Korpi, 1983; Esping-Andersen, 1990; Stephens, 1979). In a telling statement Esping-Andersen argues that the characteristics of unions 'will decisively affect the articulation of political demands, class-cohesion, and the scope for labor party action' (1990, p. 29). While still insisting on the causal importance of producer group interests, recent research calls for scrutiny of this approach. The line of attack is twofold. First, the power resources approach has been charged with neglecting the key part played by employers or organised business in the shaping and support of the welfare state (Swenson, 1997; 2002; Mares, 1997; Martin, 1995). Second, recent research indicates that the assumption of cohesiveness of business and union interests is partly unfounded. Most notably, scholars analysing the emergence and dismantling of collective bargaining institutions, preferences for central bank independence, exchange rate policy and industrial policy argue that the varying distributional consequences of political arrangements for the traded and non-traded (or sheltered and exposed) sectors breed cleavages that cut across class lines (Elvander, 1988; 2002; Pontusson and Swenson, 1996; Swenson, 1991; 2002; Iversen, 1999; Frieden, 1991; 2002).

I provide a test of whether political cleavages among organised business and unions conform to the class or sectoral perspective. Using a spatial model, similar to those frequently used in the study of voters and legislatures, I analyse new survey data on the policy preferences of 59 Swedish unions and business organisations with regard to 16 proposed broad-ranging economic policy reforms covering most areas of relevance to the constituencies of these organisations. The organisations represent both exposed and sheltered sector wage earners and businesses. By including a large number of political issues, and a sizeable number of affiliates of organised unions and businesses, in both the traded and nontraded sectors, I enhance the current state of the literature in two ways. First, by including organised business in the analysis, 'union-centrism' is avoided. Second, I avoid some of the limitations inherent in in-depth qualitative research by sacrificing a more detailed account in favour of a more general. Thus, I obtain a picture of the cleavages among a sizeable number of organisations, representing

different types of constituencies. Further, this picture is based on a larger number, and broader scope, of political issues than is usually the case. Given that case studies of particular organisations, and of particular policy processes, are frequently the methodology of choice in this area of research, this sacrifice seems warranted. At a minimum, it can be justified in the name of methodological pluralism. Finally, analysing these organisations' political preferences within the framework of a spatial model provides a clear conceptualisation of what is meant by a political cleavage.

The results show that class is the dominant source of organisational preferences and thereby political cleavage, although smaller, but statistically significant cleavages between traded and nontraded sector organisations also exist. Hence, taking a sizeable number of organisations into account, including organised businesses, and across a wide variety of political issues, the class hypothesis receives strong support. It appears that the traded/nontraded divide is not, as some authors would have it, more important than the class divide in the determination of political cleavages.

I will proceed in the following steps. First, I give an overview of the spatial model of political preferences, showing how it can be used to describe the relation between organisations' ideal political positions (their 'ideal points') and how it can be used to describe the differing perceived distributional consequences of political outcomes. From this discussion, the operational definition of political cleavage will also become evident to the reader. The data that serve as a basis for the empirical section are also described. Second, the estimated positions of organisations and political outcomes are interpreted qualitatively. Third, the organisations' political positions are regressed on the class and sectoral belongings of their constituencies. The results from the second and third part of the analysis support both the sectoral and the class perspective. That is, whether or not an organisation's constituency is primarily located in the exposed sector and whether it represents business or wage earners affect the kind of policy preferences it has. However, the results from the regressions also show that class is more important than sector in determining the political positions of these organisations. The concluding discussion poses the question of the extent to which these results can be generalised to other advanced industrial democracies.

Estimating a spatial model of economic policy preferences

The spatial model

Categorising groups according to whether they represent 'exposed sector', 'sheltered sector', 'business' or 'wage earner' constituencies, gives rise to expectations about their economic and welfare policy preferences. That most economic and welfare policies have distributional consequences is what motivates this type of argumentation. Different groups are differentially affected by policies, some

positively, others adversely. A standard and very general function, capable of describing an organisation i 's utility from political outcomes, is $U_i=f(c_{i1}, \dots, c_{in})$, where c_{ij} is some consequence j , such as the level of transfer programs or the generosity of social services. These kinds of tax-financed government services are probably dear to the hearts of many union constituencies. But the union's constituency might also derive utility from the amount of resources remaining with private enterprise. This affects future investments, which in turn affect future employment, productivity, wage growth, and – in the end consumption (see, eg, Przeworski and Wallerstein, 1982; 1988).

A few constraints on the utility function need to be added in order to proceed. The first is that the group is better off the larger is the c_{ij} , ie $\partial U_i/\partial c_{ij} > 0$. In the example, this simply implies that a union will prefer more welfare programs *and* investment to less. The second restriction is that of decreasing marginal utility, ie $\partial^2 U_i/\partial c_{ij}^2 < 0$. In the example, this implies that the higher taxes are, and hence the more spending there is on transfers and social services, the lesser will be the future investments that can be given up while keeping the union's constituency at the same level of welfare. The final restriction is the budget constraint on the total amount, $\sum_{j=1}^n c_{ij}$, that can be obtained. For instance, there is a fixed amount that can be distributed between profits and taxes. For the running example, these three restrictions imply a situation like the one depicted in the left part of Figure 5.1. Under the assumption that the union prefers more welfare programs and private investment to less, and that both of these exhibit decreasing marginal utility, there now exists a single preferred point, the ideal point, where the indifference curve is tangential to the budget constraint. Any move away from this point – either more money going to taxes, or more money going to profits – will constitute a less preferred policy outcome for the union.

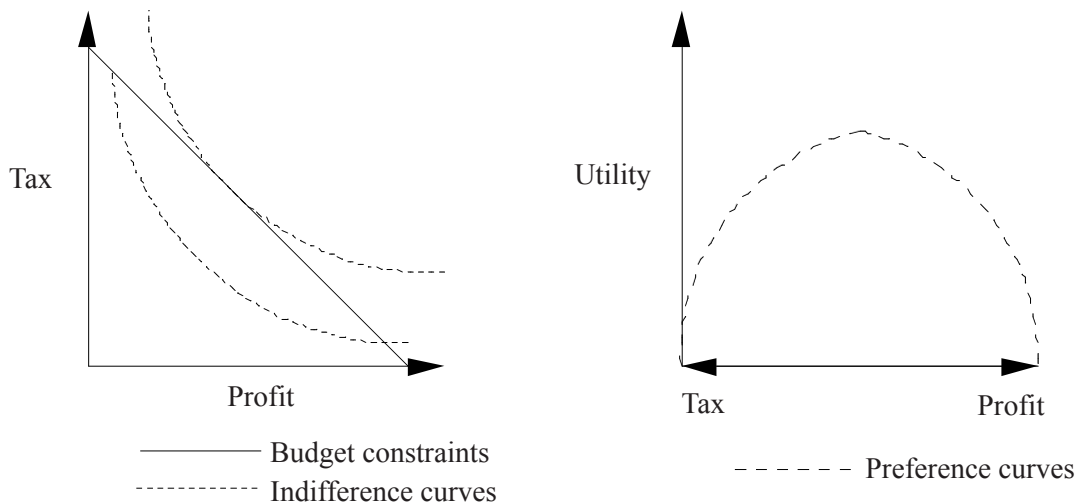


Figure 5.1 The spatial model.

Given the above restrictions, an organisation's utility from, and thereby its degree of preference for, a policy outcome can be described in terms of the Euclidean distance between organisation i 's ideal point, described by the vector of coordinates \mathbf{x} , and the policy outcome, described by the vector of coordinates \mathbf{y} : $d(\mathbf{x}, \mathbf{y}) = (\sum_{k=1}^m (x_k - y_k)^2)^{1/2}$ where x_k and y_k are coordinates in m -dimensional space (Ordershook, 1986, p. 32-37). So, the organisation's utility is a function of the distance between its ideal point and the policy outcome, $U_i = f(d(\mathbf{x}, \mathbf{y}))$. The organisation will prefer policy outcomes that are at lesser Euclidean distance. Turning to our example, we can see the correspondence by laying the budget constraint flat, as is done in the right part of Figure 5.1. This depicts the one-dimensional case, $m=1$, where any move away from the union's ideal mix of taxes and profits is associated with a decline in utility for the union. In sum, policy outcomes and ideal points are represented as a vector of coordinates in m -dimensional space, and the organisation's utility from a particular policy is a negative function of the distance between the two. That different organisations have different ideal points is at the very heart of political conflict, and is what gives rise to political cleavage. Finding the location of policy outcomes and organisational ideal points provides us with information on the existence of distinct political cleavages between organisations.

Estimation

Appropriate scaling for estimating the relative location of ideal points and policy outcomes in joint space, given Euclidean preferences, is provided by an 'unfolding' model (Jacoby, 1991; Van Schuur and Kiers, 1994). According to Van Schuur and Kiers, when data conform to the multidimensional unfolding model the application of factor analysis frequently results in a solution containing an artificial factor.¹ Essentially, what unfolding attempts to do is to find a configuration of ideal points and policy outcomes that is consistent with the preferential responses of organisations.² That an organisation's preference for a particular policy outcome can be described by the function can be utilised to estimate the rank order of the distances between pairs of policy outcomes. Because, if preferential responses to policy outcomes are monotonically related to Euclidean distance, and under the assumption that the ideal points are distributed in a certain fashion, either the maximum absolute differences or minimum sums obtained from the organisations' preferential responses can be used to obtain the rank

¹ For reference, however, factor analysis was also performed. The substantive results did not differ from those obtained from multidimensional unfolding.

² I will use a stepwise procedure where I first estimate the relative locations of policy outcomes and then estimate the ideal points in relation to the policy outcomes. The reason is that, as the dimensionality of the space required adequately to represent distances between all ideal points and policy outcomes increases, the number of parameters/coordinates that need to be estimated increases, creating an identification problem. See Jacoby (1991, p. 67-70).

orders (Rabinowitz, 1976).³ The approach suggested by Rabinowitz examines all observations, ie the preferential responses of organisations, to find the subset most suitable for obtaining the rank orders between pairs of policy outcomes. Further, it uses both maximum absolute differences and minimum sums for ordering.⁴

The ordering of pairs of policy outcomes does not tell us anything about how many dimensions are needed to account for the variation in the organisations' preferential responses to policy outcomes (ie how many latent variables are needed to account for the varying responses to suggestions for reform). This is accomplished by non-metric multidimensional scaling. The configuration of policy outcomes will be placed so that the inter-outcome distances as closely resemble the ordering of pairs as possible. How closely these two correspond (for various dimensionalities) is measured by the stress value,⁵ which increases with poorness of fit, and by the squared correlation between the two (R^2), which increases with goodness of fit. These measures will be used in a fashion analogous to how eigenvalues in factor analysis are employed (ie in the scree test) to determine dimensionality. If the addition of a dimension produces only marginal improvement in the goodness-of-fit statistic, it is reasonable to opt for the most parsimonious model. Of course, which dimensionality is appropriate is ultimately determined by the degree of substantive interpretability.⁶ When a configuration of policy outcomes is obtained, distances between outcomes indicate perceived differences in distributional consequences.

Finding the ideal points of the organisations – locating them in the same space as, and relative to, the policy outcomes in a way that is as consistent as possible with their preferential responses to the policy outcome constitutes the last step of the scaling part of the analysis. A stress value for each estimated ideal point is calculated.⁷ This value indicates how well the distances between the ideal points and the policy outcomes correspond to the recorded organisational preferences for various policy outcomes.⁸ In the final part of the analysis, the ideal points of

³ The distributional assumption is that many of the ideal points lie close to the straight-line segments connecting policy outcomes in m-dimensional space.

⁴ The reason for utilising more than one observation per pair for which a rank is needed has to do with ameliorating the problem of weak-partial orderings and measurement problems (see Rabinowitz, 1976). I used Jacoby's (1993) macro for the computational procedure.

⁵ Here, S-stress, which measures the degree of correspondence between the squared distances, and Stress 1, which measures the degree of correspondence between the distances, are used.

⁶ In the factor analysis that was performed for reference, the results from the solution applying the scree test were identical in terms of how many dimensions were needed, and which policy outcomes ended up scoring high on each dimension.

⁷ Here stress-2 is used to measure the degree of correspondence between the original distances and those between the estimated ideal points and the estimated positions of the policy outcomes.

⁸ The average stress value also provides another indicator of the extent to which the preferential responses were generated by organisations making similar consequential judgments about

organisations are regressed on the class and sectoral characteristics of their constituencies.

Data

To locate policy outcomes and ideal points the organisations' preferential responses to policy outcomes are necessary. These are taken from survey data from an investigation conducted among elites in Swedish unions and organised business.⁹ In the autumn of 2002 a questionnaire was administered to two key representatives in each of 76 organisations. First, a list of the organisations of relevance to the study was established. The substantive criterion used for generating this list was whether the groups were likely to be engaged in economic and welfare policy. The result was a list of the five peak associations of organised business and labour, the Confederation of Swedish Enterprises (Svenskt näringsliv), the Confederation of Private Enterprises (Företagarnas riksorganisation), the Swedish Trade Union Confederation (LO), the Swedish Confederation of Professional Associations (SACO) and the Swedish Confederation of Professional Employees (TCO), and also their respective affiliates.¹⁰ This list comprised about 115 organisations. From it were chosen the 76 with most members (number of employees in companies that were members in the case of organised business) and staff employed at their central offices.¹¹

Questionnaires were sent out to the chair and vice-chair or president of each of the selected organisations.¹²

In the questionnaire they were asked about their organisation's stance on a wide range of suggested economic policy reforms, including monetary policy,

policies, but having different ideal points (ie different ideal points on the budget constraint, and hence different degrees of preference for policies).

⁹ The data will be made available publicly in 2005. Any requests should be sent to the author.

¹⁰ Two additional organisations not belonging to any peak associations were included. They were the Syndicalists (SAC) and the Swedish Association for Managerial and Professional Staff (Ledarna).

¹¹ Due to the fact that organisations were asked of their relationships with other organisations (for the purpose of another part of this project), the list had to be narrowed down to 76. The information on membership/employees in member companies was obtained from Statistics Sweden. The number employed at central offices was obtained from the organisations' own material, and in some cases by contacting them directly and asking. When selecting the 76 organisations, I first chose all the peak associations. Then, I selected 36 union affiliates by ranking them according to membership and staff. SAC and Ledarna were included in this draw. The ranking was obtained by performing principal components analysis on these two variables (which were highly correlated with an $r > .8$), and then selecting the 36 with the highest factor scores. A similar procedure was applied to select 35 organised business affiliates; only here were staff and number of employees in member companies used as indicators of 'importance' (Again, $r > .8$).

¹² I made sure that at least one of the two respondents from each organisation worked at their central headquarters full-time. In most cases, both chair and vice-chair or president did, and in a handful of cases only one. In a few cases there was no functional equivalent of vice-chair or president. In such cases, high ranking organisational officials were chosen.

fiscal policy, privatisation, unemployment insurance, active labour market policy, and workers' protection.¹³ Their preferential responses were recorded on a scale ranging from whether they thought reform was 'a very bad idea' to whether they thought it was 'a very good idea'.¹⁴ Eighty-two percent of the chosen organisations answered the questionnaire. Of the organisational representatives, 56 percent responded – meaning that from some organisations both answered and from some only one. In cases where both representatives of the organisation answered their responses were averaged, leaving me with the stances of 59 organisations (see Appendix 5.1) on a number of suggested political reforms, each on a nine-point scale.¹⁵

Results

In Table 5.1 goodness-of-fit statistics for the ordering of pairs of policy outcomes and the subsequent scaling of outcomes are shown. First, Spearman's rho is rather high, which tells us that the assumptions of the procedure for ordering pairs of political outcomes are fairly well met.¹⁶ Therefore, it makes sense to go on to explore how many dimensions are needed to represent these relative distances. Table 5.1 shows three measures of goodness of fit for several dimensional solutions. The one-dimensional solution seems too simple to capture the relative ordering of policy outcomes.¹⁷ The improvements in all these measures when adding a second dimension are large in relation to those when a third dimension is added. Further, the goodness-of-fit measures for the two-dimen-

¹³ The reforms included were mainly selected on the basis of saliency during the years 2000-2002, and cover most of the major issues in the political debate concerning Swedish economic policy where there had been organisational involvement. The issues should be roughly representative of the kinds of political issues that draw the attention of unions and organised interests in Sweden.

¹⁴ The survey question was: 'The following list contains a number of suggestions that have been put forward in the general political debate. What is your organisation's position on each of them?' This question was followed by a list containing statements such as 'Lowering of total taxation', 'Swedish membership of the EMU', 'Lessening of union control over the administration of unemployment insurance'. For each of these statements, respondents could indicate their organisation's position on a five-point scale ranging from 'a very bad idea' to 'a very good idea', where the middle category was 'have not taken a position'.

¹⁵ Since responses were averaged for those organisations where both representatives answered, the scale includes the values 1, 1.5, 2, 2.5 up to 5. Before their responses were averaged, the average correlation (Pearson's r) between the answers for representatives of the same organisation was 0.6. In virtually no instances, however, did the representatives give answers that were on opposite sides of the 'neutral' position.

¹⁶ Spearman's rank correlation between the ordering obtained by using only maximum absolute differences or minimum sums, ie the orderings obtained by using the preferential responses of organisations with different ideal points, indicates whether the assumptions of the method for ordering pairs are satisfied (see Rabinowitz, 1976).

¹⁷ According to the rule of thumb proposed by Kruskal (1964), $stress < .1$ is considered 'fair fit', while $stress > .2$ is considered 'poor fit'.

sional solution are also fairly good in absolute terms. Therefore, I opt for the more parsimonious of the latter two solutions.

Table 5.1 Political cleavages.

Measures	Ranking	Dimensions			
		1	2	3	4
Spearman's rho	.601				
stress		.191	.086	.052	.033
S-Stress		.162	.100	.054	.036
R ²		.887	.969	.986	.993

In Figure 5.2 the estimated locations of the economic policy outcomes from the two-dimensional solution are shown. Although the exact locations of policy outcomes should not be taken too literally, a clear and substantively interpretable pattern emerges. First, the ordering of policy outcomes along the horizontal dimension can be interpreted as going from what we may call left to right, reflecting the distributional conflict between business and wage earners.¹⁸ Outcomes go from clearly leftist policies – legislated reduction of working hours, strengthening of employment protection and increasing maximum unemployment insurance – through policies with unclear distributional consequences for business and wage earners as classes – working life discrimination, environmental taxes, monetary and exchange rate policy – to what is typically regarded as business friendly policies – privatisation, tax reforms and the reduction of union power.

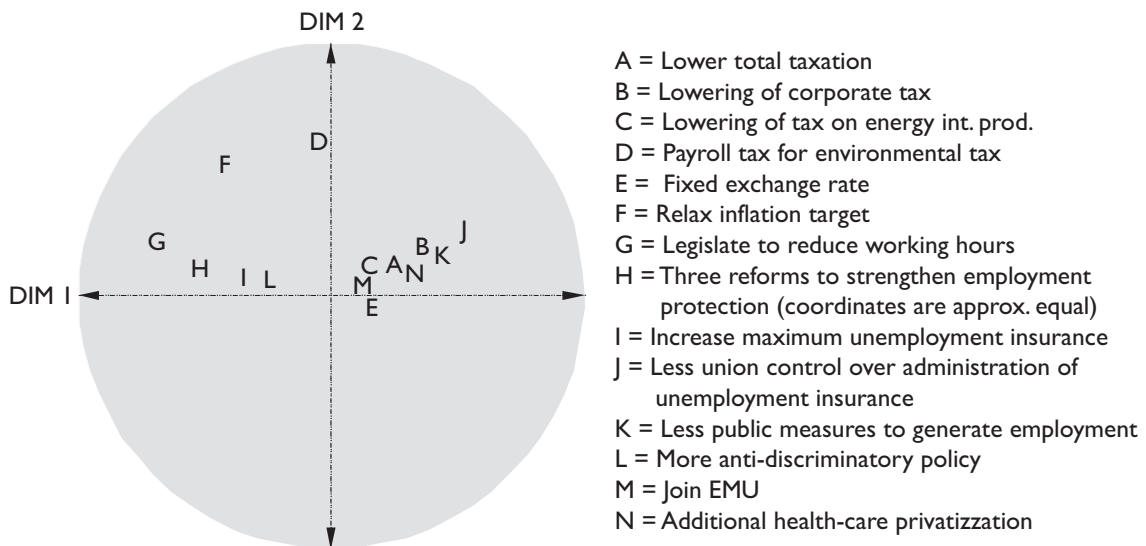


Figure 5.2: Estimated configuration of policy outcomes.

¹⁸ It should be noted that we can rotate the axes (orthogonally) in any manner. The distances between policy outcomes will remain the same. The particular rotation displayed in Figure 5.2 simply eases the interpretation

Turning to the vertical dimension we see that the most extreme outcomes concern issues of monetary policy, exchange rate policy and environmental policy. In the theoretical literature, exchange rate/monetary policy is expected to be related, albeit complicatedly, to cleavages between the exposed and sheltered sectors. And, looking at the exchange rate and monetary policy issues included here does indeed suggest that the vertical dimension represents a cleavage between the two sectors. The Swedish independent central bank (*Sveriges Riksbank*) has been commissioned to maintain price stability since 1998, with adjustments to the interest rate as the policy instrument. The bank has interpreted the goal of price stability as 2 ± 1 percent. At the time, the reform attracted much criticism for making price stability the overriding goal at the expense of employment. 'The reform puts a straightjacket on politicians,' as one Social Democratic MP who voted against his own party's official position noted (*Helsingborgs dagblad*, 26 November 1998). In general, exposed sector wage increases are tempered by the objective of maintaining international competitiveness, with or without the disciplining force of the inflation target. However, since sheltered sector employees are not exposed to international markets, they are more likely to accept a bit more inflation in return for employment, to the detriment of the exposed sector. With the inflation target, however, it becomes impossible to maintain employment by allowing higher rates of inflation, and wage militancy should be reduced. The chair of *ALMEGA*, a joint cooperation between six service sector employers' associations, has on several occasions reminded public sector unions that excessive wage increases might be self-defeating (eg *Göteborgsposten*, 1 November 1999; *Svenska Dagbladet*, 4 January 2003). Similarly exposed sector union representatives can be counted on to react when public sector dissatisfaction with wages starts to grow, as when the Municipal Workers' Union (*Kommunal*) decided to renegotiate its three-year wage settlement (eg *Göteborgsposten*, 23 October 2002). Thus, exposed sector unions and business should be more favourably disposed towards a low inflation target, since it keeps sheltered sector wage increases in check. The sheltered sector unions, however, might be more favourably disposed towards a slightly slacker inflation target, since it allows for higher wage increases and the maintenance of domestic employment and consumption.

On the issue of the European Monetary Union (*EMU*), the European Central Bank (*ECB*) does seem to emphasise tight money, with an inflation target of 0-2 percent. The economists of the Confederation of Swedish Enterprises (*Svenskt näringsliv*), the Confederation of Private Enterprises (*Företagarnas riksorganisation*), the Swedish Trade Union Confederation (*LO*), the Swedish Confederation of Professional Associations (*SACO*) and the Swedish Confederation of Professional Employees (*TCO*), who served as experts on the commission concerning the scope for stabilisation policy in the monetary union, pointed out in a joint statement that Sweden has exhibited more inflationary wage increases than

the rest of Europe. Delegating responsibility for the interest rate to the *ECB* would therefore preclude any adjustments based on tendencies specific to Sweden (Bornefalk, et al., 2002). Losing the ability to stabilise downward economic trends that are specific to Sweden (and thereby fight unemployment) is an important reason for the retail services union opposing membership of the *EMU* (Handelsanställdas förbund 2002). In an article expressing his dissatisfaction with the volatility of the Swedish krona and worries that the *Sveriges Riksbank* will exceed its target, the chairman of the *EMU*-positive exposed sector union *Metall* takes the opposite stance. He argues that the capacity for long-term planning of production and sales is crucial to achieving employment and increases in real wages, and that Sweden must join the *EMU* to obtain the requisite stability (Johnsson, 2001).

Finally, the fact that schemes which involve increasing and decreasing taxes on energy-intensive production lie at opposite ends of the vertical dimension indicates that it represents a cleavage between the exposed and sheltered sectors. When employers and unions in the exposed sector got together in March 1997 to discuss prerequisites for industrial development in Sweden, they reached a formal agreement (*Industriavtalet*) on a number of political issues, in which it was stated that ‘the cost of electricity is now higher than in the main competitor countries ... Taxes and charges that do not exist in other countries will further weaken the competitive position of industry in Sweden’ (Industriavtalet, 1997). Later, the Industry Committee, which was founded in connection with these endeavours, commented in an information referral to the Swedish Parliament that domestic electricity prices meant that Swedish firms were unfairly discriminated against when competing with firms in other countries. Further, the committee also commented upon the suggestion that one could increase taxes on energy, and at the same time lower tax on work for firms managing to reduce their energy consumption. It noted that this would be detrimental to many firms, since there was no scope for them to lower their consumption (Industrikommittén, 2000). The sheltered sector, which is more insulated from world markets, uses substantially less energy (since it mainly consists of public and private services), and might be more inclined to see the environmental and fiscal advantages of taxing energy.

The next stage of the analysis was to locate the organisations’ ideal points in policy space to make them as consistent as possible with their expressed preference orderings over the 16 economic policies. The extent to which this can be done varies somewhat, but generally preference orderings are consistent with the relative distances of the policy outcomes.¹⁹ In order to provide the reader with

¹⁹ The average R^2 is .973, and the average stress (as measured by Kruskal’s Stress 2) is .166. Kruskal and Wish (1978, p. 50) point out that ‘values of Stress 2 are generally more than double those of Stress 1 for the same degree of fit’. Therefore, when using Stress 2, more generous goodness-of-fit criteria apply.

some ‘snapshots’ of the results, Figure 5.3 shows the estimated ideal points of some of the larger affiliates of the peak associations included in the study. First, we can examine the general patterns in the estimated ideal points. The distances between the organisations do lend some credibility to the previous interpretation of the political cleavages. There is a clear gulf between organised business and unions; all the unions’ ideal points, except that of the Association of Graduate Engineers (*Cf*), lie to the left in policy space, while all organisations representing business lie to the right. Also, there seems to be a sectoral cleavage, where exposed sector organisations *Metall*, *Cf*, the Swedish Union of Clerical and Technical Employees (*Sif*) and the Association of Engineering Industries (*Vi*) lie below their sheltered sector counterparts. One public sector union, the National Union of Teachers in Sweden (*Lr*), and two organisations representing businesses that are rather more insulated from international competition, the Association of Hotels and Restaurants (*Shr*) and the Federation of Retailers (*Ha*), lie clearly above the mid-point on the vertical dimension.

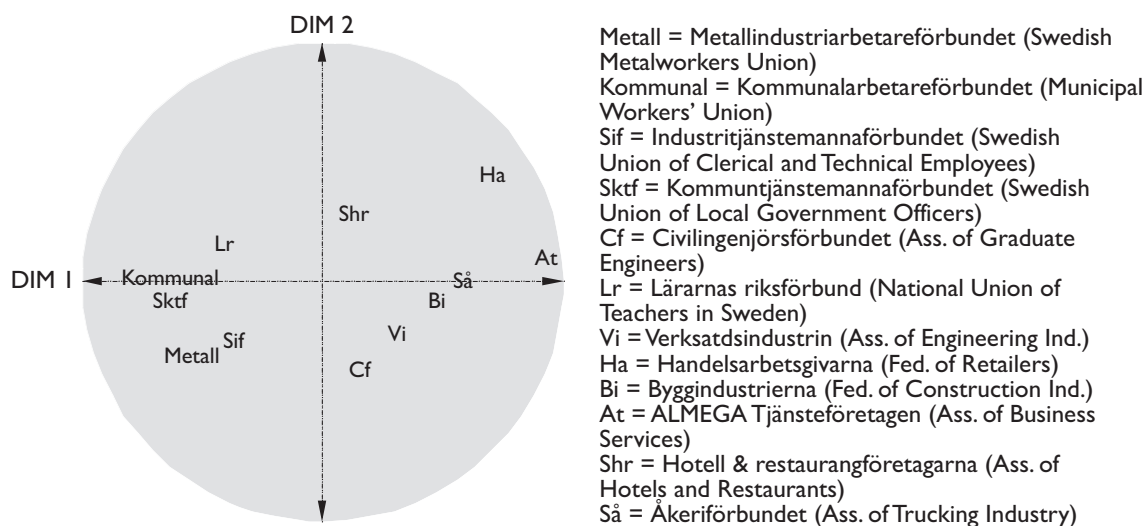


Figure 5.3: Estimated ideal points for some of the larger union and business affiliates.

In sum, the results obtained from the multidimensional unfolding analysis indicate that there are two important dimensions along which political cleavages among organised business and wage earners occur. Further, visual interpretation indicates that these dimensions represent the distributional conflict between, on the one hand, business and wage earners, and, on the other, between the exposed and sheltered sectors.

Classes, sectors and political cleavages

Moving on from these rather impressionistic visual interpretations and ‘snapshots’ of the structure of conflict between organised business and unions in Swe-

den, the final part of the analysis consists in examining the relationship between organisations' positions in political space, and the class and sectoral belonging of their constituency. I do this both in order to validate the conclusions about political cleavages arrived at by visual inspection and to gauge how crucial the class and sectoral models are to understanding political cleavages between organised business and unions.

The class belonging of an organisation's constituency is determined by applying the traditional distinction between 'business', 'white-collar workers' and 'blue-collar workers'.²⁰ The sectoral belonging of an organisation is determined by reference to whether it has an exposed or sheltered sector constituency. I label organisations, unions and organised business, whose constituencies are located in industry (manufacturing, processing and raw materials) as belonging to the exposed sector. The unions and business organisations representing the service sector (public and private) are classified as sheltered sector organisations (see, eg, De Gregorio, et al., 1994).²¹ In other words, organisations are classified according to the types of goods in whose production their constituencies are involved.

To validate the visual inspection, and to gauge the explanatory power of the class and sectoral model, Table 5.2 displays the results of a regression analysis. The rightmost column presents multivariate tests of the overall effects of class and sector on political cleavages. Do class and sectoral belonging explain these organisations' positions on dimensions 1 *and* 2? The two dependent variables obtained from the analysis in the previous section differ.²² The MANOVA F-

²⁰ Organisations are coded as either business, white-collar union or blue-collar union according to the 'class' of their constituency. Thus, the coding coincides with whether the organisation's peak-organisation belonging is to Svenskt Näringsliv or FR (business), LO (blue-collar union confederation), or white-collar confederation (SACO or TCO). See the discussion in Olin Wright (1986) for an impressive attempt to justify the commonplace supposition that these groups can be arrayed on a right-left continuum. A model with a dichotomous variable, where white-collar and blue-collar workers were grouped together, was also tested to check on the robustness of the findings. This model provided a poorer fit-to-data, but the substantive results were the same.

²¹ That the exposed sector should be defined with reference to production of goods that are traded on international markets (ie both export and import competitors) and the sheltered sector as those who have no such production is not uncontroversial. But, what constitutes tradable goods is somewhat more ambiguous. Traditionally, a distinction has been made between manufacturing (including processed and unprocessed raw materials) and services (public and private). That the former are traded and the latter nontraded has received strong empirical support (De Gregorio, Giovanni and Wolf, 1994). And although trade in services increased somewhat during the 1990s, it still accounts for a rather small share of total exports in most countries (Hufbauer and Warren, 1999). I will therefore retain the distinction, labelling organisations (unions and organised business) whose constituencies are located in industry (manufacturing, processing and raw materials) as representing the exposed sector, and those representing the service sector (public and private) as sheltered

²² More specifically, the MANOVA F-test provides a way of evaluating whether the joint bivariate distributions of organisations' dimension-coordinates are significantly different between groups (eg whether the locations of exposed sector organisations differ significantly

tests show that the sector and class variables have joint as well individually significant effects on these organisations' mean locations on dimensions 1 and 2. This shows that there are significant differences between organisations' locations in political space, according to both the sectoral and class belongings of their constituencies.

Table 5.2 Determinants of organisations' locations across the two policy dimensions.

	Dimensions		MANOVA-test for no overall effect ^a
	1	2	
Exposed Sector	.353 (.191)	-.401* (.164)	5.862 *
Business	2.761* (.218)	.453* (.188)	79.002 *
White-collar	.918* (.238)	.027 (.206)	7.782 *
Intercept	-1.625* (.191)	-.186 (.165)	
Full model			15.309 *
R ²	.777	.202	
Incremental contribution: ^b	2.312	5.927*	
Exposed sector			
Class ² -variables	61.16*	4.859*	
N	59	59	

Parameter estimates are OLS. Entries in parentheses are standard errors. *Statistically significant at the .05 level. ^aMANOVA F-test statistics are based on Pillai's Trace. ^bF-test statistics for no incremental contribution of variables to R².

Turning to differences between organisations on the individual dimensions shown in the columns labelled 'Dimensions' (1 and 2) in Table 5.2, the results indicate that both white-collar unions and organised business are, on average, located more towards the right of political space than blue-collar workers. This is evident from their significantly higher average scores on Dimension 1.²³ Further, exposed sector organisations are, on average, located more to the right than their sheltered sector counterparts. This difference, however, does not pass the test of significance on any of the conventional levels except .10. The results support the conclusion reached by visual inspection, ie that the horizontal dimension (Dimension 1) reflects the distributional conflict between 'classes' (between left and right). Turning to group differences on Dimension 2, we see that, on average, exposed sector organisations have significantly lower scores than those representing sheltered sector constituencies. This indicates that there is merit to the inter-

from those of sheltered sector organisations), taking into account the correlation between the two dependent variables. For an introduction to MANOVA (the analysis of multiple dependent variables), see Bray and Maxwell (1988).

²³ An additional result not evident from Table 5.2 is that the mean difference between organised business and white-collar workers is also significant at conventional levels.

pretation of the vertical dimension (Dimension 2) as representing the distributional conflict between the exposed and sheltered sectors. Also, organised business has significantly higher scores on Dimension 2 than do blue-collar unions, while white-collar unions do not differ significantly from the latter on this dimension.²⁴

Finally, and since significant effects of the class and sectoral models might not tell the whole story, the incremental contribution of the class and sectoral variables to R^2 was evaluated. This was achieved by comparing the R^2 of models containing only the sectoral *or* the class variable²⁵ with those encompassing both Dimension 1 *and* Dimension 2. The explanatory contribution of the sectoral variable to Dimension 1 is not significant. The class variables, however, do contribute significantly to explaining variation in organisations' locations on this dimension. In substantive terms R^2 increases by .74 when the class variables are added to the sectoral variable, but only by .02 when the sector variable is added to the class variables. The class variables thus contribute 37 times more to explaining varying positions on Dimension 1. Turning to Dimension 2, we see that the inclusion of the sectoral variable, as well as the class variables, adds significantly to explaining the varying positions. The substantive contribution to R^2 of the exposed sector variable is .08, while adding the class variables increases R^2 by .14. Looking at both the significance and substantive contributions of the class and sectoral models to explaining the varying positions of organisations along the dimensions, the class model comes out on top. The class variables explain more, and their contribution is significant on both dimensions. Computing the average contribution of the sectoral and class models to explaining the varying positions along dimensions 1 and 2 lends additional support to this conclusion. The average contribution of the sectoral model is $.10/2 = .05$, while the average contribution of the class model is $.88/2 = .44$.

In sum, these results do not only indicate that the visual interpretation of the previous section was correct, but also clearly shows that there are important political cleavages between blue-collar and white-collar unions and organised business, irrespective of their sectoral belonging. However, the results also indicate that there are sectoral divisions within the camps of labour as well as business. In this sense, both the sectoral and the class hypotheses are confirmed.

²⁴ That organised business is located higher on the vertical dimension, even after controlling for its constituency being located in the exposed or sheltered sector, indicates that we can rotate the solution obtained. The location of the horizontal dimension in the rotation displayed in Figure 5.3, is determined by those organisations that have the largest political distance on that dimension. A slightly different rotation could lead to better congruence between our substantive interpretations of the horizontal and vertical dimensions and the actual coordinates of the organisations. The political distances between organisations, and between organisations and policy outcomes, would however remain the same, as would our qualitative conclusions.

²⁵ These reduced models are not included in Table 5.2

However, when we look beyond the significance of mean differences between organisations, and look to the relative performance of the two sets of variables in terms of their ability to account for the varying ideal points of organisations, there is ample evidence of the superiority of those that measure class. Thus, both perspectives are important for understanding political divisions among organisations, but the class variables are ‘more’ important.

Conclusion

I set out to evaluate whether the sectoral and class perspectives could help us understand political cleavages over economic and welfare policy, and if so, which of them had greater explanatory power. The political preferences of a comparatively large number of organisations were included in the study. I addressed recent complaints, that the literature has previously focused exclusively on unions, by including data on organised business. The analysis showed that there were two main political cleavages along which organised business and unions align. The political positions of organised business and unions differed significantly, as did the positions of exposed and sheltered sector organisations. However, the class of an organisation’s constituency was found to be a more important predictor of its political positions.

A key aspect that sets Sweden apart from many other OECD countries is the presence of ‘strong socioeconomic institutions’, ie peak associations, with the capability of coordinating their member affiliates’ political preferences.²⁶ If Garrett and Lange (1995) are correct in assuming that these types of domestic institutions work as an intermediate factor to dampen sectoral conflict, we would expect the sectoral hypothesis to be disadvantaged in relation to the class hypothesis. That I do find sectoral tensions even in Sweden suggests that tensions of this kind will be present, and perhaps even more important, in countries where peak associations are not as strong.

Still, a note of caution is necessary. Among the OECD countries normally studied in comparative political economy, Sweden exhibits a reasonably high degree of economic openness. If we couple this with the claim that in coordinated market economies labour and capital are rather immobile, we would expect that Swedish workers and businesses would be more immediately concerned with the distributional effects of policies for the traded and nontraded sectors than in other countries.²⁷ The class hypothesis would then be disadvantaged when applied to the case of Sweden. However, immobility might not only affect the degree of sectoral tensions, but also the amount of class tensions.

²⁶ Studies of both historical and contemporary decisions important to unions and organised business in Sweden lend some support to the view that Swedish peak associations have this coordinating capacity. See Öberg (1994; 2002).

²⁷ See, eg, Hall and Soskice (2001) for the argument that factors of production are more immobile in coordinated market economies. For a critique, see Hiscox and Rickard (2002).

Recent work has brought the concept of factor mobility to bear on demand for social protection, suggesting an inverse relationship (Iversen and Soskice, 2001). If immobility combined with openness is expected to lead to increased sectoral *and* class tensions, the class hypothesis would not be unfairly disadvantaged in this study after all.

Finally, some tentative remarks about the preconditions for stability and change in Swedish economic and welfare policy are warranted. That the most important political cleavage is between the organisations representing blue-collar workers and business, with white-collar workers occupying a pivotal middle ground will be reassuring to those who are afraid that the coordinating tasks of Swedish Governments and other societal actors would become more cumbersome if conflict along sectoral lines became common. Well-defined class interests have, arguably, played an important role in the crafting of class compromise and the broad welfare state. The social coalitions that, according to some authors, have made the Swedish politico-economic model work well in spite of the unusually high political presence of special interest groups seem to be largely intact.²⁸ However, and as any observer of Swedish politics of late has noticed, unions and to some extent the business community, are torn on issues regarding the EMU and the question of Swedish membership.

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²⁸ For the classic statement, as well as more recent and less enthusiastic remarks, see Olson (1982; 1995).

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Appendix 5.1. Names (in Swedish and English*) of the 59 organisations participating in the study

Akademikerförbundet SSR The Swedish Union of University Graduates	Handelsanställdas förbund <i>The Commercial Employees' Union</i>
Allmänna industrigruppen The general industry group	Handelsarbetsgivarna <i>The Swedish Commerce Employers' Association</i>
ALMEGA Samhallförbunden Almega Samhall Employers' Association	Hotell och restaurangfacket <i>The Swedish Hotel and Restaurant Workers' Union</i>
ALMEGA Tjänsteförbunden The Association of Business Services	HTF The Salaried Employees' Union
Bruksindustriföreningen <i>The Iron and Steel Works Association</i>	Industrifacket The Industrial Workers' Union
Civilekonomerna The National Union of Business Administration and Economics Graduates	Ingenjörssförbundet The Swedish Association of Engineers
Civilingenjörssförbundet The Association of Graduate Engineers	Journalistförbundet The Swedish Union of Journalists
Elektriska installatörsorganisationen (EIO) <i>The Swedish Electrical Contractors' Association</i>	Jusek The Association of Graduates in Law, Business Administration and Economics, Computer and Systems Science, Personnel Management and Social Science
Energiföretagens arbetsgivareförening The Association of Energy Employers	Läkarförbundet The Swedish Medical Association
Fastighetsanställdas förbund The Swedish Building Maintenance Workers' Union	Lärarnas riksförbund The National Union of Teachers in Sweden
Finansförbundet The Financial Sector Union of Sweden	Livsmedelsföretagen <i>The Food Industry Enterprises</i>
Företagarnas riksorganisation The Federation of Private Enterprises	Landsorganisationen i Sverige (LO) The Swedish Trade Union Confederation
Försäkringsbranschens arbetsgivareförbund <i>The Swedish Insurance Employers' Association</i>	Maskinentreprenörerna <i>The Association of Swedish Earth Moving Contractors</i>
Glasbranschföreningen <i>The Federation of Glazing Contractors</i>	Media- och informationsarbetsgivarna <i>The Swedish Media Employers' Association</i>
Grafiska fackförbundet The Graphic Workers' Union	Officersförbundet <i>The Officers' National Association</i>
Grafiska företagens förbund <i>The Swedish Graphic Companies Federation</i>	

Plåtslageriernas riksförbund <i>The Employers' Association of Swedish Plateworks</i>	Sveriges byggindustrier The Swedish Federation of Construction Industries
Polisförbundet The Swedish Police Union	Sveriges hamnar Ports of Sweden
Sif The Swedish Union of Clerical and Technical Employees	Sveriges hotell- och restaurangföretagare The Swedish Association of Hotels and Restaurants
Skogs- och lantarbetsgivareförbundet The Federation of Swedish Forestal and Agricultural Employers	Sveriges redareförening The Swedish Shipowners' Association
Skogs- och träfacket The Swedish Forest and Wood Workers' Union	Sveriges trafikskolors riksförbund <i>The Swedish Association of Driving Schools</i>
Skogsindustrierna <i>The Swedish Forest Industries Association</i>	Sveriges verkstadsindustrier The Swedish Association of Engineering Industries
SKTF The Swedish Union of Local Government Officers	Tandläkarförbundet The Swedish Dental Association
Statstjänstemannaförbundet The Union of Civil Servants	Tjänstemannens Centralorganisation (TCO) The Confederation of Professional Employees
Svenska åkeriförbundet The Swedish Association of Trucking Industries	TEKO-industrierna The Swedish Textile and Clothing Industries' Association
Svenska byggnadsarbetareförbundet The Swedish Building Workers' Union	Trä- och möbelindustriförbundet <i>The Wood and Furniture Industry Association</i>
Svenska elektrikerförbundet The Swedish Association of Electricians	Vårdförbundet The Swedish Association of Health Professionals
Svenska kommunalarbetareförbundet The Swedish Municipal Workers' Union	VVS-installatörerna <i>The Building Services Contractors</i>
Svenska livsmedelsarbetareförbundet <i>The Swedish Food Workers' Union</i>	
Svenska målareförbundet The Swedish Painters' Union	
Svenska metallindustriarbetareförbundet The Swedish Metalworkers' Union	
Svenska pappersindustriarbetareförbundet The Swedish Paper Workers' Union	

* Note: Names are often presented on the websites of the organisations in question. These are taken wherever possible. Otherwise, a *fairly literal* translation has been performed of each organisation's name (marked in italics).