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## CHARACTER ISSUES

# The Role of Economists in Liberalizing Swedish Agriculture

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### ABSTRACT

**INSIDE THE SWEDISH PARLIAMENT SAT MEMBERS FROM THE FIVE** major parties in Sweden. Outside, more than 20,000 angry farmers marched around Parliament and the Royal Castle carrying placards and shouting slogans. The “revolt” took place the 23rd of May, 1985 while the politicians were discussing overproduction adjustments.

The scene is unusual for Sweden, and makes vivid how acute the issues concerning agricultural policy had become during the 1980s. Food surpluses in Sweden, Europe, and the United States had no obvious market as the world market was filled with subsidized milk, meat, grain and other products. How to get rid of it? The whole sector in Sweden was girdled in controls on land management, cultivation, quantities, and prices (Flygare and Isacson 2003).

The system was changed fundamentally in the early 1990s. Deregulation was decided in 1990 and implemented thereafter. Although agricultural policy is looked upon as especially hard to change because of the vested interests, the reform was a change of system. The 1990 deregulation was approved in a political consensus—the Swedish way.

The change brought Sweden from one of the most regulated and subsidized countries to one of the least regulated. It is part of the story of the resilience of the Swedish system (Bergh 2006, 458).

A starting point to understand the change of system in agricultural policy is that ideas matter. They influence politics.<sup>1</sup> However, they do not exist in a vacuum, but are promoted by idea carriers, such as economists from time to time. To have effect, ideas must have actors imbued with purpose and motivation.<sup>2</sup>

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<sup>1</sup> See for example Hall 1993, Sabatier 1991, Blyth 1999, and Hayek 1949.

<sup>2</sup> On the role of economists in ending conscription in the United States, see Henderson (2005).

It is hard enough for a citizen to keep track of the government agencies, political organizations, and industry and trade associations of her own country, especially in history, but it is even harder for foreign institutions. Here I generally avoid names of specific Swedish institutions (which would be translations, anyhow) and instead use generics like “producer groups” and so on.

The present research is based substantially upon interviews I conducted with many of the major players (listed after the References list). When I write of one of them “looking back,” etc., I mean as spoken to me in interview.

### EARLY CRISIS AND INTERVENTION

During the 1920s grain prices fell dramatically in Sweden and later stabilized. The 1930s saw a general slump, and growing protectionism further hurt Swedish exports. As in the rest of Europe and the United States, the 1930s mark the origins of the modern agricultural policy in Sweden (Morell 2002, 179-181; Magnusson 2000). With support from the Agrarians and Social Democrats, regulations were imposed on production and food processing (Schon 2000).

A major intervention often generates unintended difficulties, scams, and exploitations. Rather than admitting error and removing the first monkey-wrench, government typically responds to aggrieved parties seeking protections and privileges of their own. Intervention begets intervention, resulting in a cluster of related interventions and regimented industries and markets (Mises 1929). The syndrome is sometimes called the *intervention dynamic* (Ikeda 1997). A classic example is agriculture.

Prices were fixed and agricultural exports subsidized. The system especially served large farms and landlords. “Poor man’s butter,” margarine, for example, was taxed to protect butter. Every time they paid their taxes or grocery bills, poor people opened their wallets for the wealthy (Morell 2001).

Farmer organizations got control of output. They were handed the exclusive authority to impose fees and administer various parts of policy. The fundamental idea was to replace market mechanisms with a more or less planned economy where prices and output were decided by authorities.

When the crisis began, the producer organizations were weak and without much influence. The new system gave the farmer organizations resources, power, and legitimacy (Rothstein 1992). The original impetus for major intervention was as much a matter of general collectivist philosophy among the political classes as it was groups scheming for privileges and handouts. The new agricultural policy was introduced in the 1930s at the same time that Keynesianism gained a breakthrough, and, incidentally, the agricultural policy was connected to the forming of an interventionist labor-market policy (Schön 2000, 331-333; Lewin 1967, 89-91).

### 1947, THE MAGNA CHARTA OF SWEDISH AGRICULTURAL POLICY

During the Second World War, the authorities controlled prices and rationed certain foods (Morell 2001, 181-184). An “iron triangle” was forming between producer organizations, politicians with farming interests, and a growing agricultural bureaucracy. Milton and Rose Friedman (1984) discuss how the status quo “iron triangle” of beneficiaries, politicians, and bureaucrats typically acts to frustrate efforts at policy correction.

By the end of war some new regulations had been imposed, but since the new measures had their origin in a very specific situation, policymakers soon found it necessary to take a broader grip of the policy field. The committee in which these questions were to be answered was, from its start in 1942, heavily dominated by farmer interests. 1947 saw the formulation of the agricultural “Magna Charta,” as it is often called in Swedish discourse. The decision was to make the wartime system of controls permanent.

Three goals were authorized in official documents: (1) a production goal that basically meant autarchy in foods; (2) an income goal to protect farmer incomes and to achieve parity with other groups such as industrial workers; (3) an efficiency goal that was to be achieved by a structural transformation in agriculture (Hedlund and Lundahl 1985, 105-106).

The central measures were tariffs and price controls. The tariffs were meant to protect the Swedish farmers from outside competition and the price controls would keep their incomes high and stable. Since farmer organizations were formed as co-operatives and gradually included more and more producers, the risk of competition was gradually reduced. Other regulations restricted who could buy land or enter farming. In classic corporatist fashion, government power enabled agriculture to become increasing cartelized.

During the 1950s and 1960s, structural transformation in agriculture was rapid. Mainly economists issued severe criticism of the system. The system’s goals were vague and partly contradictory. The instruments came to be seen as ill adapted to achieve the official goals. The price negotiations became increasingly complicated and expert-intensive. Even though food prices rose, farmers felt that their incomes lagged behind, as others enjoyed accelerated living standards. In the 1950s and 1960s, discontent continued to spread (Flygare and Isacson 2003, 230-235).

### EARLY ECONOMISTS: AGAINST SPECIAL INTERESTS, BUT NOT NECESSARILY CONTROL

Starting in the 1930s, Swedish economists criticized agricultural policy. Two of the most famous were Gunnar Myrdal and Johan Åkerman. Ideologically apart, they both criticized costly overproduction (Hedlund and Lundahl 1985, 74-75, 82). As members of the Agricultural Committee in 1940s, Ingvar Svennilsson and Erik Lundberg aired reservations and said production goals should be reduced (SOU

1946:46, 516-526). During the 1950s and 1960s, Claes-Erik Odhner, a trade-union economist, argued that the agricultural sector was too large and that structural rationalization was possible (Odhner 1966). A reallocation of labor from agriculture to industry was seen as a major precondition for further increases in living standards.

Coalitions fight for influence by framing issues (Barber 1993). In the labor market two interests, employers and unions, were organized and expressed. In the agricultural market, only one interest was organized and powerful—the Federation of Swedish Farmers. No consumer interest was organized. Therefore attempts were made to organize an opponent to make price negotiations more balanced. In 1953, the Consumer’s Committee for Agricultural Issues was created.<sup>3</sup> Odhner was appointed chairman and became a driving force in the public debate. In 1963, the Consumer’s Delegation was founded to take part in price negotiations, but its influence was nevertheless obstructed by their duty to negotiate *reasonable* prices, not lower prices. Another problem was that their representatives lacked expertise in the regulations and processes (Ljusberg 2005). Producer interests controlled the basic data and local knowledge of agricultural operations. Jan-Erik Nyberg, a former head of the Consumer’s Delegation, had the opinion that their representatives were prisoners of seasoned participants and the process in general. The “consumer” representation gave the system more legitimacy, but without doing much to counter the iron triangle (Micheletti 1990, 94-97; Ljusberg 2005).

In the 1960s, several economists, including Odhner but especially Assar Lindbeck and Odd Guldbrandsen, argued for another solution that would give priority to industry rationalization rather than income protection. With the help of so-called price pressure—where the guaranteed prices were gradually lowered—more farmers could be induced to exit the sector, which would also reduce their political weight. Also, Lindbeck and Guldbrandsen pointed out the effects on the national economy. With some policy adjustments, the total costs could be significantly reduced (Lindbeck and Guldbrandsen 1966, 105-107, 161-167; Odhner 1966, 170-172).



Assar Lindbeck

Agricultural policy was heavily debated and many actors, especially economists, participated. The issue flared up during the 1966 election campaign. It appears that some actors attempted to form a coalition of the labor unions and business interests to support the arguments from the economists. The emergent proposal was not radical, but it was more than just marginal adjustments. The controversial parts were stepping up pressure on a group that felt entitled to existing privileges, and openly seeking to induce farmers to give up their farms and leave the business (Lindberg 1995, 22-25). The analysis began quietly to paint the farmer interests as deserving reproach.

<sup>3</sup> It was created by three organizations, the Confederation of Swedish Trade Unions, the Central Confederation of Professional Employees, and the Cooperative Union and Wholesale Society.

But the farmer groups initiated a counteroffensive 1966-1967 in newspapers and media to defend the regulations and high prices. They kept the focus of debate on how to utilize the existing policy instruments (Lindberg 1995).

In the 1960s, the prevalent vision was a modern industrial society with production by large-scale units and top-down coordination (Magnusson 2000). The vision was widely held with great optimism. The vision sometimes warred with traditional special-interest groups, and indeed joined forces with other opponents of old privilege. Economists were generally the voice of “efficiency,” but among the Swedish government economists of the day, that did not necessarily mean they were particularly liberal.

In 1967, the government went in the direction of rationalization, as against income maintenance, indicating that the growth and efficiency arguments had some traction. But the major instruments, the tariffs and price regulations, remained (Guldbrandsen and Lindbeck 1968, 115-117). The changes implemented in the 1960s and 1970s had fewer consequences than some had feared and others had hoped.

### GROWING DISSATISFACTION

The more efficiency-and-growth oriented agricultural policy did well during the 1960s, but there were many farmers who did not accept the developments. The dissatisfaction was directed against the huge structural transformation that had taken place. More than 75 percent of farmers had left the business during the postwar period (Schön 2000, 427). In the 1970s, opinions bristled and people contested the virtues of growth, large-scale production, and the ongoing structural rationalization. It wasn't just an industry, but regional ways of life and social powerbases that were contracting.

Furthermore the world market was changing. Grain prices rose sharply and great famines plagued the Third World and appeared on television. Why should Swedish farmers limit their production when starvation abounded? Why not allow more planting and export the surplus abroad or give it away as aid? (Swedborg 1980, 49-51; Flygare and Isacson 2003, 237-238).

The Agricultural Policy decision of 1977 gave these opinions support and increased the regulations, tariffs, and food prices. The Conservative government and above all the Agrarian party were especially keen on giving family farmers more benefits. In classic intervention-dynamic fashion, to compensate consumers, the government introduced a special form of subsidy on “basic food.” Internationally, the development was not unusual, as most industrialized nations reacted that way to the new circumstances and above all, they let the producer lobbies rule the game. The producer organization in Sweden had been strengthened since 1970 when a merger between the economic organization (SAL) and the political organization (RLF) gave them resources and unity to take the offensive. The agricultural iron

triangle also dominated the Commission on Inquiry on Agriculture and had no reason to moderate its demands (Öberg 1994, 186-195).

### THE FRANKENSTEIN REGULATORY SYSTEM

In the first half of the 1980s food prices went downward again and new marginal adjustments of the policy followed, but only after massive protests from the producer groups. The situation in the mid 1980s thus had its roots in the “horse-trade” between the Agrarians and the Social Democrats in the 1930s. An unforeseen consequence of the policy, large surpluses, was in a way beneficial during the Second World War and thereupon the policy fundamentals were formed in 1947. Producer groups that were weak and divided initially had been gradually strengthened as producer’s cooperatives more and more dominated the foods industry. Step by step the market was controlled, natural forces disturbed, and further regulations introduced to “correct” the outcomes. Concurrently, the bureaucracy expanded. Even according to official documents, the agricultural system had reached a deadlock (SOU 1984, Prop 1983/84, 7-8).

It may be said that in 1980, the conventional view of the developments 1930 to 1980 was that they were a necessary way to protect domestic prices from the convulsions of world markets. The farmer organization was conventionally described as an organization with the character of a union, imbued with the values of cooperation and solidarity. Considering the circumstances special to agriculture, the regulatory system was just being socially responsible. Some problems arose, but on the whole the system was seen as stable and passable. The government food policy report contained several criticisms (SOU 1984), but in the end the reform proposals did not affect the founding goals and instruments. In some respects the controls were even strengthened.

### APPARATCHIK ECONOMICS

As noted, from the start a few vital economists had dissatisfactions that continued to smolder. However, an obvious tendency of *agricultural* economists in Sweden had been their docility towards the status quo. According to Bolin (2005) and Brorsson (2005) that was part of the culture at the Swedish University of Agricultural Sciences—much like the agricultural economics programs in the United States (Pasour 2004). Almost all of the specialists in agricultural economics were—or wished to be—in farmer organizations, the bureaucracy, or government advising. That is, they had clear incentives not to challenge the iron triangle.

No expert scholars seriously challenged the status quo. The system was so complex and hard to grasp that only a few experts could understand how the system really worked. Then, from professional esteem, pride, and material prudence, they became apparatchiks (Hayek 1960, 291).

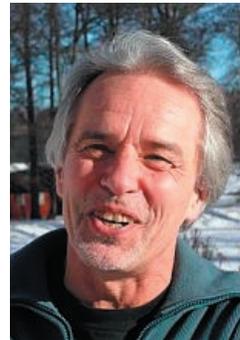
Bolin, Meyerson and Ståhl (1984, 76-80) noted, after interviewing the central policymakers in the inner circle, that the power over agricultural policy was integrated and did not rest with identifiable individuals. It was rather a group of tightly connected policymakers with a similar view on both problems and solutions, favoring the existing policy. According to my interviews with the former minister of Finance Kjell-Olof Feldt and his co-worker Michael Sohlman, politicians in this policy field often had connections with farmer groups (and often were farmers themselves). As is typical of parties with a hold on the coercion monopoly, they tended to ignore outsiders unless put under pressure to address them. Outsiders had to adapt to the establishment or struggle on their own. Only a few, like the economists of the 1960s, questioned pieces of the system.

### THE CHALLENGE

Events of the 1980s show the force of ideas and the potential of economists to realize a certain calling. The *raison d'être* of the policy was boldly challenged.

If one should identify a single moment, the choice is rather simple. In 1984 the Centre for Business and Policy Studies published *The Political Economy of the Food Sector: The Case of Sweden*.<sup>4</sup> The main authors Olof Bolin, Per-Martin Meyerson, and Ingemar Ståhl, were economists but many of the contributors to the book also had expertise in agriculture. They took an economic approach that was bold in its independence and readiness to reject or dismiss conventional rationales for the system. Their basic question was: what economic effects did the existing policy have?

Three features of the book had explosive force. At the time, public choice theory was weak in Sweden, though a notable exception existed in one of the three authors,



Olof Bolin

Lund university economist Ingemar Ståhl.

Nobody had applied public choice to agricultural policy. In the book, the authors choose to explain the existing system in terms of the “iron triangle,”<sup>5</sup> i.e., politicians, bureaucrats, and farmer organizations. The authors concluded that they had gained power and used it at the expense of consumers and taxpayers (Bolin, Meyerson and Ståhl 1984, 68-69; Bolin 2005; Meyerson 2005).

Another important novelty was the express framework of doing the “social accounting” with a full set of books,



Ingemar Ståhl

<sup>4</sup> As revealed in personal interviews, the same opinion is shared by the authors of the book as well as Mats Lundahl, Mats Hellström, Bengt Rydén and Gunnar Wetterberg.

<sup>5</sup> The concept “Iron Triangle” was borrowed from the Norwegian Political scientist Gudmund Hernes (1975), which influenced the Norwegian “Power Study” research project and the SNS (Rydén 2005).

including the extensive coordination of farming, processing, distribution, and consumption. The claim to comprehensiveness helped to make the conclusions authoritative. It would be incumbent upon a critic to demonstrate error or to offer an alternative account that was comprehensive. (Of course, the comprehensiveness was to the nation, not humanity.)



Per-Martin Meyerson

The sections on processing were novel. The agricultural cooperatives dominated as purchaser, and they also had the lions' share of the food processing industry, stifling competition not only from abroad but also from domestic companies not connected to farmer-run businesses. With this dominance there was always a threat of monoposonistic/monopolistic behavior. Naturally, they enjoyed privileges against entry (Bolin, Meyerson and Stahl 1984, 119-121).

The third novelty was the cost estimates. Who gained and who lost? How did the gains compare to the losses? The effects of the existing policy were analyzed in static and dynamic perspectives. They showed that, irrespective, the national economy would gain considerably if the regulations were abolished. Yes, *abolished*. The gains would be large enough to compensate all the farmers who otherwise would lose from the change (Bolin, Meyerson and Stahl 1984, 105-106).

A year after *The Political Economy of the Food Sector* there appeared another book *War Preparedness or Protectionism?* The authors were two Lund University economists, Mats Lundahl and Stefan Hedlund, and there seems to have been some contact between them and the other group, although not much. This book didn't attract as much attention, but it was part of a more serious critique of agricultural policy. The "war preparedness"



Mats Lundahl



Stefan Hedlund

arguments for the need for self-sufficiency were thoroughly examined and rejected. Supposed policy goals did not match policy outcomes. The real outcome was protectionism, administered by powerful producer interests and the agricultural bureaucracy (Bolin 2005; Lundahl 2005).

When a diagnosis of error is issued and comes to be seen as authoritative, it makes one who willfully obstructs correction a villain. With the serious economic analysis came a new view of the people who constituted the iron triangle.

## PUBLIC DEBATE

*The Political Economy of the Food Sector* instantly sparked an enormous debate. The arguments for decontrol had never been so clear and the proposal so radical. The very day it was released, the farmer organization (LRF) and its chairman Sven Tågmark arranged a press conference where they attacked the book and its authors as “mistaken, cynical and not reliable” (Bolin, Meyerson and Stahl 1985, 34). The book was met by cutting rejoinders in the press, at meetings, or in debates. It is clear that the farmer group felt threatened by the whole challenge—the analysis, the proposals, and the less than flattering portrayal of organized interests (Bolin, Meyerson and Stahl 1985, 33-39).

Persecution of political challengers and cultural dissidents is of course commonplace throughout human history, and helps to explain why enlightened ideas don't prevail as generally as they should. One of the authors, Meyerson, recalls that inside the Federation of Swedish Industrialists, where he was employed, representatives from the foods industry tried to get him sacked. More than a decade earlier something similar happened to Assar Lindbeck when he wrote about sugar regulation. Challenging the system was obviously a risky business (Meyerson 1997, 167-175; Bolin 2005, Meyerson 2005; Rydén 2005).

When the press debate was studied afterwards it turned out to be dominated by, on one side, the major farm group (LRF) and likeminded interest organizations, and, on the other side, economists. Representatives of the consumer groups didn't take part. Very little came from established agricultural economists and others in the agricultural sector. Almost nobody in the bureaucracy said peep. The politicians, too, mostly fell dumb. Two MPs from the Agricultural Committee in parliament, both farmers, from the Conservative and the Center party, argued against the book in the debate, but they were the only ones. The debate was primarily between economists and the producer interests (Bolin, Meyerson and Stahl 1985, 25-26). When things got hot, few stood alongside the farmer groups, leaving them to appear as special-interest pleaders.

It might be incautious to draw conclusions from the sample of articles in the database “Artikelsök”, but it indicates that there was an increase of debate following *The Political Economy of the Food Sector*. Of ten articles published in *Ekonomisk Debatt* 1979 through 1990, nine came after the book was published in 1984. The book was cited many times—it was very unusual for a book to have such attention. As for statements in the press from the minister of agriculture, Svante Lundqvist, and his state secretary had only five from 1982 to 1986, whereas Mats Hellström and his state secretary Michael Sohlman had 27 from 1986 to 1990.

In anticipation of the 1985 election, the farmer group (LRF) and its supporters may have planned to take on the Social Democrat government. When *The Political Economy of the Food Sector* was published the organization was forced back into a defensive position. The alternative to the existing policy instead turned out to be a more or less complete deregulation and the producers' power to formulate the problem was broken.

### THE FINANCE MINISTRY GETS INVOLVED

We can hardly expect the ruling policy coalition inside the iron triangle to initiate reforms. But outside this coalition, at the Ministry of Finance which got the central role in the government again after the Social Democrats regained power 1982, ideas were developed about a more thorough scrutiny.<sup>6</sup> The Ministry believed that the agricultural regulations caused overproduction and higher food-prices. The Finance Minister Kjell-Olof Feldt (1982-1990) encouraged his co-workers at the Ministry to be open-minded and to suggest reforms that would cut expenses a bit and deregulate some markets to ease inflation (Feldt 1991, 343-348; Feldt 2005; Sohlman 2005; Wetterberg 2005).

When instructions were given to the food policy committee in 1983, Finance Minister Feldt tried to convince the Ministry of Agriculture to bring forward the issue of deregulation. The proposals ultimately led to a clash between Feldt and Agriculture Minister Svante Lundqvist. According to Feldt, Lundqvist didn't want to irritate the farmer group and was reluctant to appear affirmative on deregulation (Feldt 1991, 113-114; Feldt 2005). In consequence, the attempted reform, which was to stay within the existing system but make substantial adjustments, failed. Looking back, the former Minister of Agriculture Mats Hellström felt that the producers' interest could rule the regulations and affect outcomes in negotiations. Therefore it became clear that minor attempts to reform the system did not work (Hellström 1999; 2005). Despite the failure in 1982-83, the Ministry of Finance continued work on the issue (Sohlman 2005; Feldt 2005). They focused on bringing out new facts about the consequences of the regulations, mostly concerning outlays and inflation.

### AN ALLIANCE BETWEEN THE ECONOMISTS AND THE FINANCE MINISTRY

When the agricultural policy debate took shape in 1984 there was soon a sort of concurrence between the academics—mostly economists—and the Ministry of Finance. Inside the Ministry the important papers and books were studied, especially *The Political Economy of the Food Sector* and *War Preparedness or Protectionism?* (Sohlman 2005; Feldt 2005).<sup>7</sup> The new thinking gained its first foothold in officialdom in the Ministry of Finance (Sohlman 2005; Feldt 2005; Lönnqvist 2005).

The alliance between the economists and Finance, according to Michael Sohlman, led to the appointment of the economist Gunnar Wetterberg to investigate grain regulation, a centerpiece policy as it also affected meat prices. If the grain regulation were dismantled the whole system would collapse. Wetterberg, a pragmatic

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<sup>6</sup> An important role was played by the expert Inga-Britt Ahlenius, an advisor in the inquiry of 1983 foods committee. She is mentioned by former Minister of Finance Kjell-Olof Feldt, former minister of Agriculture Mats Hellström, Michael Sohlman and Gunnar Wetterberg as a responsive person with influence.

<sup>7</sup> It is interesting to note that the former Agriculture Secretary Ulf Lönnqvist could not recall either of the two books (Lönnqvist 2005).

policymaker, had been involved in the Communist Party of Sweden (VPK), and had written articles about the need to reform agriculture. He had support from people like Sohlman and Per Molander at Finance (Wetterberg 2005; Sohlman 2005). In 1988, Wetterberg issued a report and proposed a reform that was more gradual, involving compensations, but no less fundamental than those of the economists (Wetterberg 1988).

Wetterberg had been an analyst at the Expert Group on Public Finance (ESO), a think tank close to Finance. The Group decided investigations to undertake, but independent authors were responsible for the results and recommendations (ESO 2007-04-18). The outfit also arranged top-flight seminars at which officials and analysts, such as authors of *The Political Economy of the Food Sector*, sat down and talked seriously about things. In a policy area bound by interest groups, it was important that an “outside” organ could be enlisted by “inside” officials seeking serious analysis and argumentation (ESO 1987).

An additional example of the alliance between the economists and Finance comes from a panel investigation organized in 1987 under the Nordic Ministries of Finance. Among those appointed were Bill Fransson<sup>8</sup>, an expert at Finance, and Ewa Rabinowicz, one of the secondary authors of *The Political Economy of the Food Sector*. The results were in line with the former economic studies (Nordiska Ministerrådet 1989).

## FINAL BLOWS

Agenda setters need rich specialized knowledge to reformulate the issue, outmaneuver resistance, and induce acceptance. They need expertise not only in agricultural and regulatory process, but in the discourse situation.

Looking back, Michael Sohlman says that, while the previous blasts weakened the old system, the stones that crushed it weren't cast until 1988-89. First there was a study of the preparedness rationale. It was authored by expert Per Molander, who was employed by the National Defence Research Establishment.<sup>9</sup> All along, since 1947, the idea that Sweden should be self-sufficient in basic foods served an underlying rationale. As Hedlund and Lundahl had previously argued, Molander questioned the entire rationale, as well as the system's effectiveness in “preparedness”<sup>10</sup> (Molander 1989).

The other “stone” identified by Sohlman was the OECD's 1987 report about Swedish agriculture. It highlighted the system's costs and damage to international trade. OECD gave advice at a Ministerial level to member states to start immediately

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<sup>8</sup> Bill Fransson belonged to the same group as Carl-Johan Åberg, Erik Åsbrink, Ulf Larsson Bengt K Å Johansson and Michael Sohlman at the Ministry of Finance and even more so after the link between the Minister of Finance and Prime Minister Feldt (Feldt 1991, 140).

<sup>9</sup> Molander later became head secretary of the Agricultural Policy Committee.

<sup>10</sup> Moreover, the Defense Policy Decision of 1987 stated that the possibility a blockade lasting years should not be a concern.

to deregulate towards a more market-based system, abolishing fixed prices and reducing tariffs (OECD 1987; Hellström 2005).

Along with the Wetterberg report of 1988, these blows finalized and validated an official change of thinking.

### **NEW AGRICULTURE CHIEFS WITH INSTRUCTIONS TO DEREGULATE**

Real reform would get absolutely nowhere without support from the Ministry of Agriculture. The Minister Svante Lundqvist and his State Secretary Ulf Lönnqvist never really showed it.<sup>11</sup> But in autumn 1986 they left office and were replaced by Mats Hellström and Michael Sohlman.

Hellström and Sohlman had clear instructions from the Social Democrat Prime Minister Ingvar Carlsson: Deregulate the system (Hellström 2005).

Sohlman had a background at Finance, which helped the two Ministries coordinate the reform process. At Agriculture, more economists and other analysts were appointed—as well as more women and younger people. Within Agriculture, the new faces came with a new outlook (Sohlman 2005; Hellström 2005; Feldt 1991).

At the same time, media presence was stepped up. Between 1987 and 1989 the politicians' share of op-ed articles rose. The debate earlier initiated by economists and other academics was replayed by policymakers. Incidentally, the Conservative and Liberal parties kept a low profile while the Social Democrats spoke out for reform.

### **1990, THE WALL COMES DOWN**

In June 1990, when the Swedish parliament voted in a general consensus for a new agricultural policy, it was seen as a major shift to a new, more market-oriented system. Negotiated prices were replaced with freer pricing and competition increased in all parts. After generations of top-down administration, consumers would again be the driving force.

The bureaucracy was cut, though not completely abolished, since their new duty was to monitor the reforms (Flygare and Isacson, 2003, 254-255).

In what way was the reform more than an adjustment? Daugbjerg and Studsgaard (2005) claims that it involved a paradigm shift from a state assisted

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<sup>11</sup> This is not to deny that Lundqvist and Lönnqvist advanced the movement. In addition to actions previously noted, they initiated and oversaw a commission to investigate the reasons behind the high and rising food prices and especially the operations of the middlemen—the wholesale and retail traders. On the commissions the farmer groups were sparsely represented (SOU 1987). According to former agricultural secretary Jan-Erik Ljusberg (2005), the government did not want the farmers to dominate again. The commission made numerous comparisons with other European and non-European countries where food prices were considerably lower. Even if the major criticism concerned the middlemen and their monopoly tendencies, the commission also implicated the price controls and tariffs (Micheletti 1990; Ljusberg 2005; Thomaeus 2005).

paradigm to a market-liberal paradigm in which agriculture was seen as an economic sector like any other. In that way Sweden and New Zealand were, among agricultural reforms, exceptional and unique (Daugbjerg and Studsgaard 2005, 104; Scrimgeour and Pasour 1996).<sup>12</sup>

By 1994-95 there was substantial evidence that the reform of 1990-91 was successful. Prices that had risen sharply in the 1980s started to fall substantially, and consumers were more content with the new choice of goods and the quality of the food (SOU 1994:119, 11-22). Increasing competition among the middlemen broke the monopoly-like position among the farmers industries step by step and with the liberalization consumer demand decided what was to be produced (Flygare and Isacson 2003, 254).

### JOINING THE EU

In 1994-95 Sweden joined the EU and its common agricultural policy (CAP), and controls were partly recreated in new forms. Agricultural trade within the EU was free but tariffs and quotas do protect against outside competition. The EU-entry led to re-bureaucratization since the aims of the EU agricultural policy—income, production, and productivity goals—are comparable to those of the former Swedish policy (Flygare and Isacson 2003, 254-255). On the other hand, prior to Swedish membership in the EU in 1995 the food and beverage industry was protected from import competition by both tariff and non-tariff barriers to trade. The reduction of these barriers did increase competition and continued to reduce the high Swedish food prices (Wilhelmsson 2006, 26). The increasing economic integration of food markets have led to a convergence of prices where high-cost countries, like Sweden, has benefited the most (Jørgensen 2005, 21-22). Finally, one might conjecture that because Sweden entered the EU with a highly liberalized agricultural sector, that may have helped slightly to recenter EU agricultural negotiations in a more liberal direction.

### CONCLUSIONS

On and off, since the origins in the 1930s, economists protested the worst features of agricultural policy. Those wielding the power of economic reasoning themselves constitute “a player,” giving potential to an oppositional coalition, a challenge to the iron triangle. But reasoning alone will never change policy. It must be joined with officials and opinion makers. Such a coalition emerged in the decades

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<sup>12</sup> Carsten Daugbjerg and Jacob Studsgaard (2005) have compared the reforms in New Zealand and Sweden during the 1980s and 1990s. In both countries a new dimension of conflict was established. Formerly a program of farmer support, agricultural policy was transformed into an issue of overall social well-being, macroeconomic policy, and inflation. Also, those who initiated the reform succeeded in changing the arena of decision-making.

leading up to 1990, and the new thinking succeeded in vastly reducing agricultural controls in Sweden.

When the economists started to analyze things with public choice, they opened the eyes of policymakers and the public. They showed that the power in agricultural policy was closely linked with industry representatives, the agricultural bureaucracy, and politicians working in the field. Moreover, the existing system could perfectly well be explained as service to vested interest, rather than the official goals.

Who benefited and who lost from the policy? By making clear that deregulation would bring large benefits to consumers, the debate was altered. Journalists caught on.

Economists played an important role in the story, but of course there were heroes in all roles—journalism, politics, and the bureaucracies themselves. In some respects the iron triangle was outflanked and vanquished, but in other respects it was infiltrated, affected, and softened from within.

Economists became idea carriers. Their efforts to enlighten people and alter opinion led to substantial correction of gross, longstanding errors in agricultural policy.

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