

## **Part III: Swedish Lessons**

### **Chapter 11: Appraising the Performance of the Swedish Constitution**

We now focus attention on the extent to which past reforms may be said to have improved or worsened the performance of Swedish governance and whether new constitutional arrangements may be able to improve future public policy. The reader may already have formed opinions on these matters as the positive analysis was developed. Although one cannot hope entirely to persuade a reader who applies his own consistent normative analysis to reach different conclusions, it is hoped that what follows will raise issues and present the normative analysis of Swedish constitutional performance in a general enough way to be of interest to such a reader, as well as those whose intuitions regarding constitutional norms are not as carefully worked out.

The previous section of the book characterized some broad features of good constitutions. Modern parliamentary constitutions are grounded on the idea of popular sovereignty. From this it follows that good constitutions assure open and free elections, protect minority interests, and assure that the constitution is applied. They will often restrict the legislature to enact only broad general forms of legislation and delegate or reserve significant policy-making power to local governments. In many cases, good governments will use various organizational and decision-making methods to assure broader than majoritarian support for public policy. Constitutions may include direct supermajority requirements or implicit ones as with bicameralism, federalism, or approval voting rules.

On most of these bases, the reforms of the Swedish constitution in the past two centuries have been genuine improvements. And, as predicted, the policies developed under those institutions have generally contributed to economic prosperity and enhanced material welfare, although not with uniform success through time. The latter suggests that room for improvement exists, as will argued in this and the following chapter. Even good constitutional arrangements can often be improved.

## **A. Long-Term Improvement in Political Procedures and Rights**

The major reforms of the formal and informal Swedish constitution during the past two centuries clearly parallels our analysis of the methods by which parliamentary systems may be enhanced to advance the broad interest of the citizenry better. Policy-making power has shifted from the King to an increasingly majoritarian Parliament as the franchise expanded from 1810 to 1920 and the locus of policy-making power gradually shifted from the King and his council to the Parliament and its prime minister. Together, these two major reforms have transformed a government initially ruled by a small minority of the political and economic elites into one governed by a broadly elected parliament subject to significant electoral competition.

### **i. Improving Constitutional Procedures and Constraints**

Electoral competition has generally received increasing support. Formal protection of freedom of the press began in 1766 and has been strengthened several times with new laws in 1810, 1949, and 1991 (see Cronhult 1994, pp. 34-36). Freedom of assembly and religion have their modern roots in legislation passed in the mid-1800s (Verney 1957, p. 17; Micheletti 1995, p. 33). These were gradually strengthened through time, but were not constitutionally protected until 1975. Political competition, together with parliamentary dominance, yield governments whose interests are aligned with those of a broader range of citizens than can be assured in regimes that lack electoral feedback.

Many of the most recent reforms have attempted to restrict the policy areas open to central government management in a manner that tends to help assure protection of minorities. Fundamental rights have been extended and strengthened, and the constitution has become increasingly policed by agencies of review, although, as noted, more could be done. The new instrument of governance includes in chapter 2 a list of “Fundamental Rights and Freedoms,” which provides explicit constitutional protection for freedoms of worship, assembly and speech.<sup>112</sup>

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<sup>112</sup> Here, one may note that majorities rarely have strong incentives to adopt rules that constrain their own legislative prerogatives; thus, as one might expect, chapter 2 was not something the dominant party called for, but rather was included as a result of widespread public pressures by the minority parties. These, evidently, caused the Social Democrats to soften their opposition to an explicit listing of constitutionally protected rights (Palm 1994, p. 63).

However, areas of improvement in protecting minority interests clearly remain. Although the explicit listing of rights in the current Instrument of Government clearly implies greater protection of minority interests, these rights are not as absolute as they are in some other constitutions. Article 12 of chapter 2 allows many of these to be “restricted in an act of law to the extent provided for in Articles 13-16.” For example, Article 13 includes: “Freedom of expression and freedom of information may otherwise be restricted only where *particularly important grounds* so warrant,” the latter evidently being a matter decided by the government.

Formal rights to due process and trials have medieval origins in Sweden, and have generally been strengthened through time, but they have not always been applied as broadly in Sweden as in other democracies. Assuring citizen access to the court is one of the major areas in which the European Court has intervened in Sweden (Palm 1994, p. 70).

Provisions for constitutional review also have a long history and have recently been expanded, but remain relatively weak. A standing constitutional committee in the Riksdag was established in 1809 by the Instrument of Government and given responsibility for monitoring the government’s adherence to the new constitution. At the same time, a Parliamentary Ombudsman was established to resolve constitutional and administrative complaints from private persons. Neither of these institutions can independently overturn nonconstitutional laws or other government policies, although each has a clear duty to monitor such behavior and present them to the public.

The current Instrument of Government (IG) includes two additional and potentially significant methods of constitutional review. Chapter 8.18 of the IG provides for a review of draft legislation by the Law Council, which is composed of justices of the Supreme Court and Supreme Administrative Court.<sup>113</sup> In 1980 a provision (Ch. 11.14) was added to the Instrument of Government that allows courts and other public authorities to review laws and regulations. It reads as follows:

If a court or any other public body considers that a provision conflicts with a provision of a fundamental law or with a provision of any other superior statute, or that the procedure prescribed was set aside in any important respect when the provision was introduced, the provision may not be

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<sup>113</sup> The new instrument of governance also increased the number of ombudsmen to four.

applied. However, if the provision has been approved by the Riksdag or by the Government, it may be set aside only if the error is manifest.

It is clear overall that none of the powers of review characterized by these procedures allows laws that are deemed unconstitutional to be overturned or their implementation to be delayed. A standing constitutional committee of Parliament obviously cannot “veto” legislation without majority support within Parliament, nor can ombudsmen overturn legislation, although they can intervene at lower levels of administrative law. The new power granted the courts to review laws and legislation is also clearly limited. The 1980 provision limits the veto power of court review to cases in which a law is found unconstitutional *and* “the error is manifest.” Only *major violations* of the constitution are evidently unacceptable under current Swedish review arrangements.<sup>114</sup>

There have also been a few exceptions to the general trend of improvement, including the elimination of bicameralism in 1970, which had provided a formal mechanism for finding policies with supermajority support, and the tendency toward increased centralization (defederalization) of fiscal responsibilities during much of the past two hundred years. (The latter trend was reversed in the early 1990s.) In addition, in some policy areas in which the dominant party (the Social Democrats) has used the bureaucracy or policy design to institutionalize their electoral advantage, as with the subsidization of union-administered unemployment benefits.

It still may be claimed that Swedish constitutional arrangements have generally assured lawful production of new laws and of constitutional revisions with fairly broad popular support. From the contractarian perspective, the broad political interests of Swedish citizens have clearly been well served by most of the constitutional revisions and governmental policies formulated under Swedish constitutional law during the past century and a half.

## **ii. Limitations of the General Analysis**

The above analysis of the procedures and constraints present in alternative constitutions is nearly all that can be done in a setting in which a new constitution is to be adopted. To go beyond a basically procedural analysis of the

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<sup>114</sup> See for example, Sterzel (1994, p. 60).

The Swedish system also provides for a preview of legislation by the Law Council. However, the preview of the Law Council can be bypassed and their judgment is not binding, although it may be embarrassing to neglect it altogether.

likely relative performance of alternative parliamentary regimes to one based on specific policy outcomes requires either an analytical framework that can accurately predict how alternative procedures affect policy choices or direct experience with the constitutions under consideration. The former requires the analyst to imagine the types of policy demands future voters will have, the kinds of political organizations they may form, and the external circumstances that might be faced. Such specific considerations are difficult to predict and tend to make every such analysis of relative performance dependent on the assumptions adopted.

The analysis above attempts to identify some general properties of the constitutional procedures specified in the constitutions of interest. The conclusions are deduced from lean models of policy making that characterize essential features of those procedures in a setting in which voters are rational and reasonably well informed. Of course, lean models necessarily neglect a lot of the real detail of political decision making, so it is possible that some of these neglected factors affect the public policies that are adopted in the end. The use of lean models is predicated on the existence of substantial fundamental forces that largely determine the outcomes of interest, but acknowledges that other more idiosyncratic factors may also affect policy outcomes. Critics may argue that these neglected factors often or perhaps even usually overwhelm the fundamental forces focused on here.

For example, it is possible that voters so imperfectly understand public policy or party platforms that they *always* make large and systematic errors when casting votes. In such circumstances, parties in power might have considerable license to adopt whatever policies they wish to the extent that they are able to manipulate electoral opinion. Moreover, and perhaps more troublesome for the present analysis, a democratic regime whose interests gradually became more closely aligned with those of the majority of the electorate might generate a series of *increasingly disastrous* policy choices of the sort that many opponents of democratization claim to fear and which the majority would regret *ex post*.

In the end, it must be acknowledged that the value of an analysis of constitutions based on lean models is substantially an empirical question when assumptions are controversial.

Fortunately for the present study, the relative performance of a series of real Swedish constitutions can be appraised using the actual policy consequences of

four quite different constitutional settings. The existence of other constitutional arrangements within countries broadly comparable to Sweden also allows us to analyze how the citizens of Sweden might have fared under still other constitutional arrangements. In this manner, the historical record can cast some fairly direct light on the relative performance of several alternative constitutional arrangements that have or could have been used. Much of that record is consistent with the analysis of constitutional fundamentals conducted above.

## **B. Material Welfare and the Quality of Swedish Governance**

The constitutional performance of existing constitutions can be assessed to some extent with reference to broad physical gauges of the attractiveness of a society. The analysis that follows focuses on two such measures: the average income of a nation's citizenry and the pattern of migration. The first is a measure of the economic development of a society. To the extent that material welfare contributes to more pleasant lifestyles, measures of per capita consumption and real gross national product provide convenient indices of the quality of life that an average person can realize within a given country. If the average person realizes a higher level of personal consumption or income, she is, other things being equal, clearly better off.

### **i. Limitations of Physical Measures of the Attractiveness of Alternative Societies**

On the other hand, it is clear that personal consumption and RGNP per capita are less than perfect measures of the attractiveness of a given society. First, there are distributional issues: the typical (or modal) person realizes less than average GNP as personal income whenever the income distribution is substantially skewed. Second, there are measurement problems. GNP neglects both tangible and subjective aspects of the quality of life, such as the personal risks associated with political and economic activities (liberty and security), the attractiveness of the local environment (amenities and pollution) and culture (cordiality, trust, faith, language, and contentiousness), and the value of social and family ties. Consequently, differences in per capita GNP or average personal consumption may not properly establish the relative quality of life in two countries, even in material terms. Such comparisons will be especially problematic in cases in which these measures of average material welfare are close.

A better measure of the relative attractiveness of societies would take account of all these neglected considerations in addition to the more easily measured economic ones.

One potentially more inclusive measure is migration. Migration patterns can clearly provide a more comprehensive indication of the relative attractiveness of societies than average personal consumption or real GNP per capita can, because decisions to relocate are affected by *all aspects* of the perceived quality of life in the countries of interest. Unfortunately, migration patterns tend to be somewhat coarse measures of the relative attractiveness of societies, because most persons and families are not completely free to move from one place to another. Most people face very significant personal and financial costs for moving among localities, and even greater ones for moving among countries, which imply that they will only move when the anticipated improvement is very large. Consequently, the pattern of international emigration and immigration can reveal only large differences in the perceived quality of life in the countries of interest.

Detailed information about migration patterns can also provide some fairly coarse evidence of systematic differences in the treatment of subgroups across countries. For example, a society that is relatively generous to economic or political elites might generate mass emigration of the working class and poor, and immigration of the well to do. A society that was relatively favorable to the working class may generate a mass exodus by the upper class, while attracting efforts by favored groups to immigrate. Not all attractive societies are equally attractive for every conceivable class, subculture, or interest group. Large-scale emigration by any group clearly implies that a group of citizens widely believes that the quality of life in their own country is far worse than that anticipated in the countries entered.

Thus, even with these limitations, migration patterns and material welfare still cast significant light on the relative performance of alternative constitutions, insofar as those constitutions lead to more or less attractive societies.

## **ii. Ranking Constitutions by the Attractiveness of a Society**

It is clear that the public policy decisions allowed by a given constitutional setting can make life unattractive. For example, the policies adopted under the political arrangements in place throughout Eastern Europe after World War II led to relatively low material income and unattractive living conditions compared

with Western Europe. These policy failures were evident in the substantial number of persons who attempted to emigrate from the East to the West<sup>115</sup>; rather than adopting better policies, East European governments attempted to suppress emigration. The term “iron curtain” aptly describes the policy of border patrols, fences, and severe penalties adopted by those governments to prevent emigration to the more attractive societies of the West. Similar emigration pressures continue to the present day as governments throughout entire continents fail to advance the interests of their citizens.

Constitutions provide the fundamental legal and political structure, which determine the incentives for making a wide range of public policy decisions. These policy decisions in turn generate the political, legal, and economic environment that makes attractive societies more or less likely to emerge as consequences of individual decision making inside and outside the political system. An effective constitution makes attractive policy choices more likely by better aligning the interests of the government with the broad interests of its citizenry. That is to say, a constitution that promotes and protects the broad interests of its citizenry tends to produce public policies that generate an attractive society.

### **iii. Material Measures of the Swedish Constitutional Experience**

Judged by the historical economic record since 1866, it is clear that the last three Swedish constitutions have generally advanced the interests of its citizenry. During the past century and a half, Sweden has become a major industrial economy and one of the most attractive societies on earth. Average income is high, longevity is high, and income inequality is relatively low. There is presently net immigration into Sweden, rather than exit, which suggests that the society itself is generally well regarded by both its citizens and its potential residents.

There has been a sustained and general increase in material welfare for the entire period. In the period from 1865-1910, real Swedish domestic product grew at a rate of 2.7 percent/year. In the period from 1910-70, real Swedish domestic product grew at an average rate of 3.05 percent/year, and from 1970-2000 by 1.5

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<sup>115</sup> It bears noting that most East European countries had formal constitutional documents, and many durable procedures for making public policy. In this sense, those governments were constitution based. However, although officials of those countries often used notions of the “public will” to justify their policies, that “will” was never determined through competitive elections. It is, therefore, unlikely that those constitutions could be regarded as even approximations of social contracts.



percent/year.<sup>116</sup> Only a handful of other formal and informal constitutions around the world have done as well at providing a political and legal setting for the development of favorable economic policies for so long a time period. On a purely material basis, the modern Swedish constitutions have led to a series of economic policies that must be judged among the finest in the world.<sup>117</sup>

However, to say that a particular constitution has improved average material welfare is not sufficient to say that it has worked well or as well as it might have. For example, the 1866 Swedish constitution was successful at increasing average income, but evidently not the attractiveness of the greater Swedish society. It was under that constitution that rapid industrialization began, and average income increased substantially. However, income growth was evidently concentrated in the urban areas and among those already wealthy (and represented in Parliament). The widespread dissatisfaction with the Swedish society that emerged in that period is clearly evident in the broad and intense popular movements favoring universal suffrage and in the pattern of migration for much of that period. Between 1850 and 1930 more than a million Swedes emigrated to America. Emigration peaked in the 1880s when about 350,000 persons, about 8 percent of the population of Sweden, left for America.<sup>118</sup>

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<sup>116</sup> 1865-1910 and 1910-70 are calculated from Krantz and Nissen (1975), *Swedish National Product 1861-1970*. The past thirty years are calculated using 1970-98 RGDP data from *World Development Indicators 2000* (see table A1 in the appendix). Lindbeck (1997, p. 31) also notes that productivity growth was rapid in Sweden during the period governed by the 1866 and 1920 constitutions; indeed, he notes that Swedish productivity growth may have been the fastest in the world from 1870 to 1950

<sup>117</sup> Table A9 in the appendix tabulates several social indicators for the period of rapid government growth that occurred between 1960 and 1995. The data are taken from Tanzi and Schuknecht's (2000) extensive overview of government expenditures in the twentieth century. Sweden does well with regard to longevity, income equality, and, relative to many other European countries, unemployment levels. However, Tanzi and Schuknecht (2000, ch. 5) note that the progress of the social welfare states has generally come at a relatively high cost. Nations with relatively smaller welfare states have done nearly as well. Note the substantial increases in unemployment rates throughout Europe in the period covered by table A9.

<sup>118</sup> Hadenius (1999, p. 10) provides one of many discussions of the major emigration of Swedes to America. *Statistik Årsbok 2000* (p. 69) includes data on the magnitude of nineteenth century emigration. Approximately 8.0 percent of Swedes emigrated in the 1880s, 5.0 percent in the 1890s, and 4.8 percent in the first decade of the 1900s. Since the 1930s, Sweden has experienced net immigration.

Emigration has recently returned to levels similar to those at the end of the late

This major emigration suggests major problems with the pattern of policies generated by the Swedish governments formed under the 1866 constitution, at least relative to the American one. Of course, emigration from other European nations was also taking place at a large scale during much of the same period. The 1866 constitution may well have been above average for Europe at its time.

This is not to say that all or even most emigrants left Europe for America for narrow *political* reasons. Rather, it is to say that policies adopted under the existing European constitutions were not as effective as they might have been at creating an attractive society. Large-scale migration indicates that many persons and families expect to be far better off in a foreign land than in the land of their birth. Although the “great political experiment” may have directly influenced some decisions to emigrate to America, much of the private calculus must have been based on the anticipated material advantage of opportunities available in America that were not available at home. As noted above, the constitution of an attractive society provides a wide range of opportunities and offers a wide range of protections for ordinary persons as well as the elite. The result is often a variety of economic, religious, political, and other opportunities that are judged to be significantly more valuable than those left behind.

The most recent Swedish constitution also exhibits some signs of relatively poor performance. Material welfare has grown somewhat more slowly in Sweden under the constitutional arrangements adopted in the 1970s than under the previous two bicameral constitutions, and emigration has increased relative to that which took place in the period after women’s suffrage was introduced (in 1920). Consequently, both these coarse measures of national performance suggest that the Swedish parliamentary arrangements adopted in 1970 are inferior to those of the previous constitution.

Of course, not all of the blame or credit for a nation’s economic development can be assigned to its government, or to its constitutional arrangements. Many factors influence the broad pattern of individual production and consumption decisions that lead to economic development, and it may be said with some accuracy that government policies can more easily impede the largely nongovernmental processes by which prosperity is created than to reinforce such broad technological and cultural trends. The existence of broader

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nineteenth century, but immigration has generally been larger than emigration throughout the recent period, except for a few years in the early 1970s.

technological and social trends suggests that the relative performance of alternative constitutional regimes should be assessed by comparing the long-term relative performance of similar economies operating in more or less the same general economic environment. This task is taken up in the remainder of the chapter.

Avoiding major public policy mistakes is important and may be said to contribute directly to material welfare, but the path of Swedish economic development has also clearly been affected by technological innovation and international developments, as well as government policies. The remainder of this chapter focuses on cross-country comparisons to provide a better assessment of the extent to which constitutional design played a role in Swedish economic and political developments. The cross-country comparisons developed below, perhaps surprisingly, also suggest that Swedish policies adopted in the post 1970/5 constitutional environment have been less effective at promoting material welfare than those adopted under several modern alternatives.

Figure 3 has already provided some initial evidence on this point (see chapter 5). Recall that figure 3 plots real per capita private consumption (which includes direct transfers, but not government services) for four comparable industrialized democracies: Denmark, Sweden, the United States, and the United Kingdom. The data are from the World Bank and adjust for differences in purchasing power using the purchasing power parity (ppp) method. These data are included in the appendix in table A4. In 1960 the average citizens of Sweden, Denmark, and the United States all enjoyed essentially similar levels of private consumption, whereas the United Kingdom had significantly lower private consumption per capita. In the decades following the Swedish constitutional reforms of the early 1970s, private consumption per capita in Sweden fell nearly 25 percent behind those of Denmark and the United States, whereas the United Kingdom nearly caught up with the Sweden.

The Swedish picture improves somewhat if one assumes that government services (consumption) are valued “dollar for dollar” for ordinary citizens, as in this case the average Swede has lost only about 15 percent relative to the average American—although somewhat more relative to the average Dane according to World Bank figure (see table A4 in the appendix). One possible explanation for this reduction in relative performance of the Swedish economy is a reduction in the political performance of the Swedish constitutional arrangements.

### C. Constitutional Reform and the Efficiency of Swedish Governance

The parliamentary reforms of the 1970s included several formal and informal changes that tended to reduce the institutionally induced alignment between parliamentary interests and the broad Swedish electorate by reducing the minimal majority under which major government policies could be adopted. The short-term interests of the current *majority* of voters are better represented under the new constitutional procedures, but not necessarily those of the electorate as a whole. The latter follows because the new arrangements allow larger-scale mistakes to be made by a more temporary and less inclusive majority.<sup>119</sup> In this respect, the *institutional* result of constitutional reform was the opposite of that argued by many of its proponents.<sup>120</sup>

Many of the formal constitutional reforms incorporated in the new Instrument of Government were implemented in 1970 through a revision of the Riksdag Act several years before the new instrument of government was adopted in 1975. The most striking of these reforms was the merger of the two chambers of the Swedish Parliament into a single large chamber. The 150-seat first chamber was combined with the 230-seat lower chamber to form a new 350-seat chamber legislature. All legislative decisions would henceforth be made by a single majority vote.<sup>121</sup> In addition to this change in parliamentary

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<sup>119</sup> The 1866 constitution included the possibility of a "joint vote" of the two chambers of the previous bicameral organization of Parliament. The joint vote on budget matters was allowed only when no policy could be found that would secure the independent approval of the two chambers. The joint vote was often used to settle disputes between the two chambers of Parliament. However, most new legislation was passed by separate votes of the two chambers.

Petersson and Söderlind (1986, p. 231) indicate that approximately 700 laws were passed by sessions of the Riksdag during the 1960s. Fewer than ten laws per year were adopted on average using the joint vote (see table A10 in the appendix for a tabulation of disputed laws).

<sup>120</sup> Here it bears noting that the previous institutional arrangements, given the particular political circumstances at the time of the reform, had given the Social Democrats greater control over parliament than their electoral support warranted. The electoral reforms did reduce this overrepresentation by a minority party and, thus, could be said to have broadened the support required to pass legislation, at least in the short run. However, as argued below, the institutional reforms could have addressed this problem (which is largely a result of party discipline) while realizing the potential advantages of bicameralism.

<sup>121</sup> The constitutional reform that established the bicameral legislature (the Riksdag Act of 1866) provided for joint votes, as noted above, in which a majority of the combined

decision-making procedures, there were two significant electoral reforms. Members of the new chamber would face a new shorter election cycle. A 3-year electoral cycle replaced the previous 4- and 8-year terms of the second and first chambers. In addition, the system of proportional representation was fine-tuned by assigning the last thirty-nine of the seats in the Riksdag based on national electoral vote counts. The effect of these procedural and electoral reforms was to reduce the political time horizon of Parliament, reduce the responsibilities of individual members for the programs undertaken, and increase somewhat the power of party leaders. A single decision in a large chamber elected for a 3-year term would determine policy, rather than two decisions of smaller chambers with somewhat different interests and longer electoral cycles.<sup>122</sup>

A parallel revision of the informal constitution took place at approximately the same time. Although changes in informal and unwritten constitutional norms are necessarily a bit uncertain, efforts to find supermajority support for major policy changes had clearly been diminished by 1958 when a major reform to the public pension system was adopted with a one-vote majority.<sup>123</sup> In the following

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votes of both chambers could be used to resolve questions on which the two chambers disagreed. Not all legislative matters could be so decided. The constitution limited the joint vote to budget and tax matters, for example, matters that had to be decided if government was to function. Table A10 tabulates the number of times the joint vote was used between 1866 and 1970.

<sup>122</sup> Table A10 provides some evidence of the importance of bicameralism. Table A10 in the appendix tabulates the methods used to resolve disagreements between the two chambers for the entire period between 1866 and 1970. It is clear that the number of disagreements fell after the PR electoral system was introduced. However, even within a system that allows for considerable party discipline across the chambers, many disagreements about policies arose and were never resolved. Moreover, it is interesting to note that, of the disputed policies, the policies finally adopted originated in both chambers.

<sup>123</sup> In 1957 an advisory referendum on pension reform was held in which three separate proposed changes in the public pension system were voted on. The program implemented the following year had received 45.8 percent of the vote, but it could be argued by opponents that a clear majority had opposed the creation of a new mandatory pension program (Hadenius 1999, pp. 84-85). The extended pension program linked pensions to personal income, the ATP ( supplementary pension program) and grew to become one of the largest transfer programs in Sweden (see table A8 in the appendix).

Heclo and Madsen (1987, p. 163) suggest that the ATP decision was significant for two additional reasons: first, because it “marked the opening stages of an attempt to move beyond traditional social welfare reform toward a bolder agenda” and, second, because it “represented an issue on which the labor movement had taken on the

year, a second major reform, the national sales tax, was also adopted with much controversy. Both programs were themselves quasi-constitutional in nature, insofar as they fundamentally changed the template for fiscal and transfer policies. And, both became major programs. The national sales tax began at 4 percent, but grew to 25 percent (as a VAT) by the end of the century. Expenditures by the supplementary pension program rose from 0.6 percent of GDP in 1970 to 6.6 percent of GDP in 2000.

Although these major reforms were adopted without a supermajority, it has been noted that Prime Minister Erlander continued to meet with leaders of the opposition to discuss policy alternatives. In that respect, supermajority consensus-building efforts continued into the next decade, although they were evidently not always judged essential for adopting major reforms, as noted above. These meetings evidently played a significant role in the constitutional reforms adopted during the late 1960s (Ruin 1990, pp. 92-95). And, those reforms were adopted with broad support among all the major parties.<sup>124</sup> However, it seems clear that consensus politics became less important under Prime Minister Olof Palme. For example, Olson (1990) suggests that consensus politics played a diminished role in the national politics of the 1970s and 1980s. Somewhere between the late 1950s and 1970, the previous informal constitution, which had called for building supermajority support for major policy reforms, was replaced with a more narrow majoritarian norm.

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non-Social Democratic forces of Swedish political society in *direct confrontation*" (italics added).

<sup>124</sup> On, May 17, 1968 a series of decisions were made regarding the proposed reorganization of the Riksdag. First, a decision was made regarding the transition regulations, which were approved by visual inspection of opinion, but a vote count was demanded by Member of Parliament (MP) Georg Pettersson; 105 voted for, 18 against, and 8 abstained. Next, the remainder of the constitutional amendment was considered. Again, the vote was visually determined to be overwhelmingly pro. The Speaker noted that these reforms were the most important for Swedish democracy in a long time and was pleased that little opposition existed.

On February 12, 1969, the second confirming vote was taken. In the First Chamber, MP Nils Larsson requested a vote count regarding the one-chamber reform. The vote was 104 votes favoring the new unicameral Riksdag and 10 against, whereas 2 abstained. The second chamber conducted its confirming vote on the same day. MP Wachtmeister requested a vote count, and the results favoring reform were similarly overwhelming: 169 pro, 5 against, and 5 abstained (*Riksdagens protokoll* (25), p. 83, May 17, 1968; *Riksdagens protokoll* (25), p. 12 (May 17, 1968); *Riksdagens protokoll* (6), p. 25 (Feb 12, 1969); and *Riksdagens protokoll* (6), p. 17 (Feb 12, 1969).

The weakening of the supermajority norm for major programs, together with the formal reform of the Parliament, clearly reduced the size of the majority required to pass large-scale and durable legislation; the shift to unicameral governance simplified the task of constructing such majority coalitions. After 1970 new policies formally required only a single simple majority.<sup>125</sup> These two constitutional changes significantly reduced the cost of passing new legislation, whereas the new tax base and transfer programs allowed for nearly automatic expansion of government transfers. Together with a leftward shift in popular culture and the electorate during the 1960s and 1970s, these constitutional reforms led to a rapid expansion of the scope of Swedish governance.

During the twenty-year period between 1960 and 1980, *the fraction of GDP directly controlled by the Swedish government more than doubled*. Figure 4 suggests that the Swedish growth of governance was significantly greater than that of other democracies that were subject to similar ideological tides.

Figure 4 plots the relative size of government in Sweden, Europe and the United States using OECD data. Note that in 1960, government expenditure levels in Sweden were broadly similar to those of the rest of Europe and similar to those of the United States. In 1960 about 30 percent of GDP was directly controlled by governments in both Europe, generally, and in the United States. However, by 1985 the Swedish government directly controlled more than 60 percent of GDP, whereas the European average was less than 50 percent of GDP. That in the United States rose only to around 35 percent of GDP. Figure 4 suggests that external economic and political conditions cannot entirely account for the dramatic change in the pattern of spending within Sweden.<sup>126</sup>

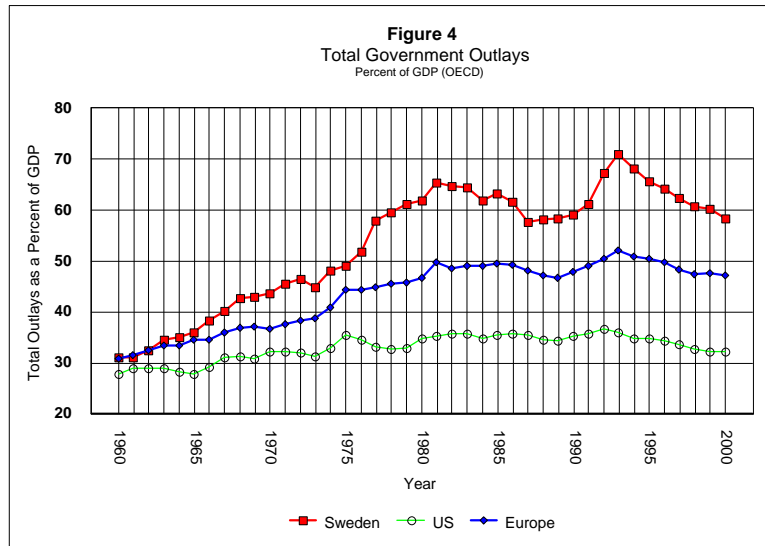
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<sup>125</sup> Here it bears noting that, although the Social Democrats held the government (prime ministership) during most of the twentieth century, they were in most cases a *minority government* that had to find votes in other parties to pass legislation. Their majority in the first chamber during the post-war period did allow them to focus most of their attention on the popularly elected second chamber, but majorities in both chambers nonetheless had to be found to pass most legislation.

The coalition-building process could be avoided in some policy areas in which the government is empowered to act without seeking parliamentary approval (regulation); in most other policy areas (taxation, public service provision, mandates, and private law), Parliament must approve new laws (Sterzel 1994, pp. 53-54).

<sup>126</sup> Denmark adopted a unicameral system in 1953. In the period between 1950 and 1970 Danish government spending rose from 18 percent to 40 percent of GDP, whereas Sweden's bicameral government expenditures increased from 23.5 percent to 43.7 percent of GDP in the same period. Substantial government growth took place in both countries,

These would have been broadly similar across Europe and, perhaps, for the United States as well.



#### D. The Misalignment of Parliamentary and Voter Interests

To the extent that the Riksdag simply implemented the desires of a majority of its citizenry for larger government, parliamentary decisions could be interpreted as those of a proper agent of the people acting in accordance with the constitution and competitive electoral pressures. However, to the extent that institutional reforms reduced the encompassing interest of political parties and failed to eliminate existing biases or to increase the efficiency with which voters could monitor state expenditures, a good deal of the rapid expansion in government programs during this period may be attributed to the new constitutional arrangements.<sup>127</sup>

but somewhat greater growth occurred under Denmark's unicameral government, for which the share of GDP passing through the government treasury more than doubled (Lane and Ersson 1994, p. 276; OECD 1982).

<sup>127</sup> Mancur Olson's analysis (1990) emphasizes the affect of various institutional and cultural changes that reduced the encompassing interest of major political parties, unions, and firm owners. The wage bargaining system negotiated by the LO and SAF in 1938 at Saltsjöbaden is often used to illustrate Swedish corporatism, although many other examples exist of commissions designed to represent the joint interests of big labor and



One generally expects political parties to be run by those with relatively more intense interests in policy than the electorate; this can be explained in several ways. For example, those who care most about policies are willing to work harder for policy changes than others and may be more persuasive and predictable than those lacking strong convictions. Such tendencies are constrained by electoral pressures, insofar as votes ultimately determine which parties are likely to gain control of government, but they are evidently not eliminated. Theory suggests that a party's leadership can stray a bit from its electoral base without having its power in parliament decline. Voters can only vote for the best of the available party platforms, rather than best ones they can imagine.

The shift to unicameral government together with more proportional representation and shorter terms of office tends to increase the potential importance of any divergence between party and voter interests, at least as far as institutions are concerned, without improving a voter's ability to monitor policy outcomes or otherwise appraise the merits of alternative policies.

To appreciate how the 1970 parliamentary reforms increased the power of party leadership, recall that, in general, it may be said that under a PR system, voters choose parties and parties choose the members of parliament by establishing both the candidates and the order of candidates on party lists. This feature of PR electoral systems naturally gives a good deal of power to the leadership of parties and to any organizations that influence intra-party politics. The straight party line voting that one observes among members of parliament under PR systems is evidence of that power.

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big capital. Olson argues that centralized wage negotiations tended to give both labor and capital a strong incentive to be concerned with the overall effects of new contracts on the economy as a whole. The LO and SAF were led to take explicit account of the broader implications of wage settlements on inflation, the balance of trade, and unemployment as a means of maximizing their joint interests. This interest in overall effects, their encompassing interests, declined as the importance of centralized wage bargaining declined.

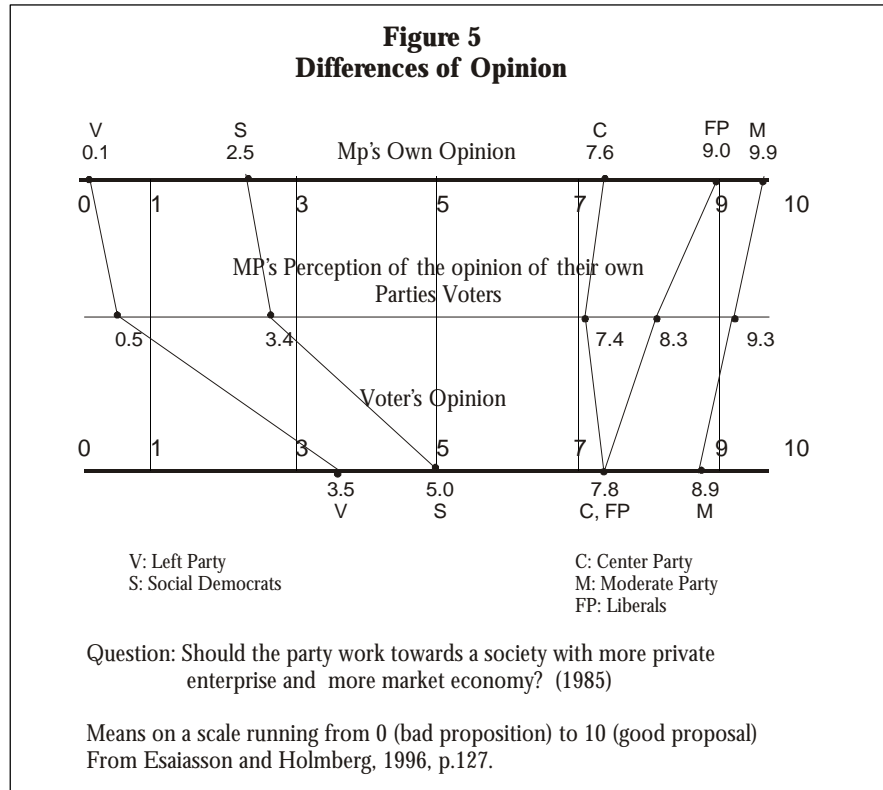
What may be more important for the present analysis is that corporatism is based on the principle that *agreement*, rather than confrontation, is the aim of negotiation. This aspect of corporatism creates an informal constitutional rule: namely, that major economic policy matters should be decided with supermajorities, rather than with the minimal majorities required in ordinary politics. Such collective choice procedures clearly increase the breadth of interests taken into account by policy makers and lead policy makers to adopt policies that more broadly advance Swedish interests.

The shift from 4- and 8-year terms of the old bicameral government to 3-year terms for all members of the unicameral parliament introduced in the parliamentary reforms along with the alignment of local elections with national elections increases the power of party leaders relative to their members. Shortening the electoral cycle allows any member's departures from the party line to be more quickly punished. Moreover, the shorter term tends to make each deviation a blacker mark on their average loyalty, making party sanctions more likely, and reducing tendencies for individual members of Parliament to vote independently of leadership.

In this manner, the constitutional reforms of the early 1970s increased the political significance of differences between a party's leadership and its electoral supporters, although it potentially reduced the difference between the existing majority of voters and the existing majority in the Riksdag by shortening the electoral cycle.

This change in the power of a party's leadership would be relatively unimportant if electoral pressures were sufficient to assure that party and voter interests were perfectly aligned. However, Esaiasson and Holmberg's (1996) study of the policy preferences of members of the Swedish Riksdag provides broad evidence of differences in opinion between members of Parliament and their electoral supporters. Not only do Esaiasson and Holmberg generally find evidence of significant differences between the opinions of the voters and their MPs on policy, but also a discrepancy between the average MP's assessment of their voters' opinion and those that actually exist.

One of their most striking findings is reproduced in figure 5. Figure 5 summarizes the results of a series of survey questions asked of members of Parliament regarding their own opinion and that the one they believe their supporters hold. On average, MPs from the parties of the left regarded themselves to be somewhat to the left of where they believed their voters were on the issue of private enterprise. MPs from the parties of the right (nonsocialists) generally regarded themselves to be on the right of their electorate on this general policy issue. Both these assessments were correct, although it turned out that voters generally were more centrist than their MPs had imagined. The average opinion of MPs from the parties of the left were further to the left of their supporters than the parties of the right were to the right of their supporters.



Additional evidence of the difference between voter preferences and the government elected is provided in the appendix in table A13 and figure A4. These compare the Fording and Kim (1998) indices of voter and government ideologies. Their voter index is computed by analyzing the pattern of votes across the parties after mapping party platforms into a "left-right" ideological space. Their index of the ideology of government takes account of the party platforms of the political parties in power. Insofar as their mapping of platforms into the ideological space is accurately done, their indices are broadly comparable across countries and time periods.

The Fording and Kim indices indicate that the Swedish government has generally been ideologically somewhat to the left of the average voter, which is consistent with the above analysis and with the logic of coalition governance. Together, the survey data and the ideology indices suggest that the policies adopted by the Social Democrat leadership tend to be systematically to the left of

those preferred by both their own supporters and those preferred by the average Swede.

Part of this bias is a natural consequence of party-based politics. The Social Democrats generally form minority governments which obviously places greater weight on the policy preferences of their own leaders and supporters than on those of the average Swede. This is magnified somewhat under the long standing political arrangements that allow many public policies to be adopted without consulting the legislature. The result may generally please the voters who cast their votes for the Social Democrats in that the policies adopted are preferred to those proposed by the other parties. However, the policies will naturally be to the left of center suggested by the survey and ideological indices (measured as the mean or median of the electorate).

To say that party politics imply that policy outcomes in Sweden are biased in this sense is not to say that they are unresponsive to electoral demands. Electoral competition implies that all political parties adjust to changes in voter demands for services, and the data clearly show that all the party platforms have been adjusted many times to accommodate the changing demands of the electorate. (Table A13 in the appendix provides evidence of such behavior.)

However, if the relationship between government ideology and voter ideology is fairly consistent through time, as indicated in other of the Esiasson and Holmberg results (see, for example, 1996, p. 134), any general shift to the left or right *tends to be amplified* by the leadership under the new institutional arrangements.<sup>128</sup>

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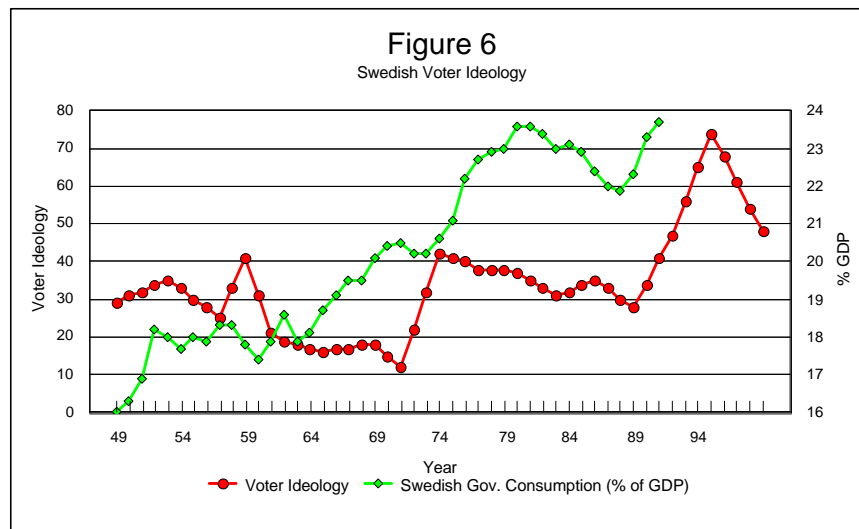
<sup>128</sup> Esiasson and Holmberg (1996, p. 102) provide even more provocative evidence of the divergence between voter and Riksdag member beliefs. Survey data from 1985 and 1988 show that members of Parliament are generally to the left of their parties' supporters using subjective appraisals of location on a 10-point, left-right political spectrum (from 0 to 10). On a ten-point scale, Riksdag members were on average 0.8 to the left of their voters on this subjective scale in 1985.

The conservative moderate party was the only party where members assigned themselves (slightly) to the right of their supporters (0.1). The left (former communist party) was the furthest to the left of their supporters (1.2).

Esiasson and Holmberg note that similar patterns have been widely found within Europe. This together with the existence of significant policy discretion on the part of MPs may partly explain the relatively greater expansion of government services in Europe relative to the United States in the twenty-five years after 1960.

Visual evidence of the effect of the 1970 constitutional reforms on the connection between voter ideology and policy can be found in figure 6. This plots the index of Swedish voter ideology developed by Fording and Kim (1998) along with Swedish government consumption as a fraction of GDP during the 1949-98 period.

Consistent with general ideological trends in that period, Swedish voter ideology has, on average, shifted to the left (higher numbers). However, the Fording/Kim index indicates that voter ideology in Sweden has not been moving uniformly to the left. In fact, average voter ideology was evidently drifting to the right during the first twenty years, which led to a relative decline in the number of seats controlled by the Social Democrats, followed by two periods of sharp leftward shifts. The first of the leftward ideological shocks was more or less coincident with the constitutional reform, the second occurred in the late 1980s and early 1990s.



No clear relationship between government service levels as a fraction of GDP and ideology is evident in the early period during which the bicameral government was dominated by the Social Democrats. Government consumption

as a fraction of GDP continued to increase even as the electorate was becoming somewhat more conservative and liberal (moving to the right). The policy divergence evident during the first twenty years of this period is consistent with the argument made by the nonsocialists for adopting a unicameral parliament and more proportional representation. The first chamber had allowed the Social Democrats to have disproportionate control over government policy during that time period.

In the 25 years after the 1970 reforms, a relationship between government consumption and voter ideology seems to be weakly evident in the data. The latter is consistent with our analysis. After the electoral reforms were in place, our analysis suggests that the new Parliament would be much more responsive to shifts in the policy preferences of the electoral majority. Figure 6 is weakly consistent with that prediction.

Regression analysis allows the relationship between voter preferences (ideology) and institutions to be investigated statistically. Table 8 includes several estimates of the fraction of Swedish GDP used for government services using data from OECD. The estimates all attempt to explain the path of Swedish government consumption, which is a good index of the broad sweep of government services. Government consumption as a fraction of GDP is estimated as a linear function of voter preferences (ideology), average voter income, time trends, and constitutional arrangements. The effect of unicameralism on government policy is estimated in two ways. First, the effect of unicameralism on government consumption is estimated using a bivariate 0-1 variable that takes the value 0 prior to 1970 and 1 thereafter (unicameral). Second, the effect of unicameralism on government's responsiveness to ideology is estimated with a variable that takes the value 0 prior to 1970 and the value of the Fording and Kim ideology index thereafter (uni-ideology).

If the institutional reforms of 1970 had no effect on government programs, the unicameral and uni-ideology coefficients should not be significantly different from zero. If, however, institutional reforms had a significant effect on government policy making, the coefficients should be positive and significant.

In addition to voter preferences, represented with ideology, economic analysis suggests that a voter's private income may be expected to affect his demand for private and government services. If government services are normal or superior goods, demand for them should rise with income. The income of the

decisive voter is proxied with real private per capita consumption. In addition to the behavioral and institutional variables, an intercept term and a time trend (year) are included. In an entirely election-riven process, the policy preferences (based on ideology and income) of the voters will completely determine government service levels.

The hypothesis that institutions do not affect government policies can clearly be rejected. Note that the coefficients for the ideological and institutional variables can be distinguished from zero at conventional levels of significance in all the cases reported. The coefficients for unicameral and uni-ideology are both greater than zero and significant. The positive coefficient for uni-ideology suggests that the new unicameral parliament is more responsive to voter demands than the previous bicameral parliament as hypothesized above.

The significant coefficient for year suggests a general bias in Swedish politics favoring increases in government service levels that cannot be accounted for by voter preferences or unicameralism. (Similar results were obtained when year was replaced with average private consumption per capita, which is a voter demand variable, although the fit declines somewhat.) The coefficient on ideology, however, has an unanticipated sign. The latter is probably generated by the the bicameral parliament of the early period which was relatively unresponsive to changing voter demands as noted above—doubtless reflecting the rightward shift of the Swedish electorate combined with a slow turnover of SAP members in the first chamber.

Overall, the results affirm the greater electoral responsiveness of the new unicameral Riksdag, and suggest the existence of left or expansionary government bias in policies during the period as a whole.

**Table 8**  
**Estimates of Swedish Government Consumption**  
 (as a Fraction of GDP, 1960-96)

	Swedish Government Consumption	Swedish Government Consumption	Swedish Government Consumption	Swedish Government Consumption
Constant	-284.328 (-3.15)***	-381.10 (3.211)***	10.707 (2.27)**	-537.07 (1.90)*
Year	0.154 (3.35)***	0.206 (3.43)***		0.287 (1.94)*
Unicameral	5.543 (5.02)***			
Swedish Voter Ideology		-0.373 (-5.34)***	-0.259 (-3.04)***	-0.279 (-2.50)**
Unicameral*Voter Ideology (uni-ideology)		0.323 (5.29)***	0.249 (3.16)***	0.280 (3.26)***
Real Per Capital Private Consumption			0.00125 (3.22)***	-0.0004 (-0.43)
R- Square	0.818	0.834	0.829	0.851
F-Statistic	76.493***	55.480***	53.460***	39.956***
DW Statistic	0.382	0.44	0.385	0.357

\*\*\* Denotes significance at the 0.01 level, \*\* denotes significance at the 0.05 level and \* denotes significance at the 0.1 level.

## E. The 1970 Constitutional Reforms and Swedish Economic Performance

We now return to the matter of whether constitutional reforms have affected the welfare of Swedish citizens. In the previous section, we demonstrated that constitutional reforms appear to have affected the broad sweep of public policy. When the interests of the electorate and the leadership of the parties that control government diverge, it is clearly possible that changes in government programs may yield benefits for some or even most citizens, yet still fail to make the average or median person better off. This would be the case, for example, if the overall costs of new government programs are significantly greater than the average benefits generated by them. Such programs become more likely when the breadth of majority required to pass legislation diminishes.

A first approximation of the average material benefits and costs of government policies and programs adopted under a particular constitution may be taken from the national GNP accounts. That is to say, if government policies generally have benefits greater than costs, we would anticipate that the average consumption and income realized from both private and government sources would increase through time. Such growth has occurred. However, the growth



rate of Swedish national income was larger in the decades prior to than after 1970. Most economists would agree that reduced economic growth may be a sign that government programs have become less effective at advancing the material interest of the average Swede.

What is of interest for the present analysis is the extent to which the decline in economic performance reflects the new political realities of the new constitution, rather than the general economic or ideological climate of the decades following 1970. Although specific public policies and economic shocks may have affected Swedish prosperity, the present analysis does not aim to determine those proximate causes exactly, but rather whether the *constitutional reforms* affected policy development in a manner that may have broadly affected the course of Swedish economic development.

Analysis of the effects of particular Swedish policies have been carried out in several previous economic studies. Excellent examples in English include, for example, Freeman, Topel, and Swedenborg (1997), Olson (1990), and Lindbeck (1997, 1998). The change in economic growth that took place around 1970 has also been noted by Lindbeck (2000, p. 7), although he does not investigate whether constitutional reforms may have indirectly generated this slowdown. Most economic analysis focuses on the growth-retarding effects of specific policies, for example, increases in the marginal tax burdens that generally accompany expansions of government programs, the particular features of labor law and other regulations affecting the formation of new enterprises, or incentive effects of public pensions, family leave, health care, and unemployment programs. The constitutional perspective directs attention to the general framework in which policy decisions are made and suggests that growth-reducing policies are more likely to emerge under some institutions than others.

Two series of estimates are reported below, which attempt to distinguish between exogenous economic shocks, ideological change, and constitutional reforms in explaining long-term Swedish economic performance. The first series of estimates reported in table 9 focus on the relative performance of the Swedish and Danish economies during the period from 1960-96. The second series of estimates reported in table 10 focuses on differences between the Swedish experience and that of other small northern European nations.

Denmark is chosen as a reference country for the first series of estimates because of its similar political history, size, and location. Denmark is a small,

open, and prosperous economy with relatively generous social welfare programs. The political history of Denmark has many close parallels with that of the Swedish experience. For example, the Danish Social Democrats have also dominated policy making for much of the past century, and Denmark also adopted major reforms of its constitutional arrangements in the post-war period. (Denmark changed from a bicameral to a unicameral parliamentary government in 1953.) Moreover, Denmark has long played an important role in Nordic history. Because of these economic, political, and historical similarities, the Danish experience is likely to be affected by the same sorts of exogenous technological, political, and economic shocks as Sweden has been during recent history.

Table 9 reports a series of estimates of the difference between Danish and Swedish real per capita consumption (in dollars) using variables similar to those previously used in table 5. Real consumption per capita is used as the dependent variable, because it most directly represents the material well-being of the average citizen. The difference between Danish and Swedish real private consumption reflects differences in after-tax income levels (including transfers). The difference, therefore, includes the relative effects of productivity changes that impact salaries, policies on income redistribution, tax effects on labor supply decisions, and the effects of negotiated wage rates on an average individual's ability to provide a comfortable lifestyle.

The data are from the World Bank's World Development Indicators (2000). The estimates demonstrate that the growing difference between Swedish and Danish private consumption can be partly explained as a consequence of Sweden's constitutional reforms. The estimates generally indicate that Sweden has fallen behind measured Danish per capita consumption levels in the period following the 1970 reforms.

To the extent that Sweden and Denmark are economically and culturally similar, broad international economic shocks would tend to affect each country in a similar way. Consequently, any systematic changes in the difference between Danish and Swedish real per capita consumption suggest differences in the relative effectiveness of domestic policies. Relatively good Swedish policies should cause Swedish private consumption to rise relative to Danish levels, and vice versa.

Danish real private per capita consumption has generally been greater than Swedish real consumption during the period of interest, although Danish real GDP per capita has generally been lower than that of Sweden. The estimates that focus on the difference in average private consumption levels use the Danish level less the Swedish one as the dependent variable. A reduction in this gap implies a relative improvement for the average Swede.

The unicameral variable takes the value 0 prior to 1970 and 1 thereafter. Its estimated coefficient, thus, represents the average effect of the constitutional changes adopted in 1970 on the difference between Danish and Swedish consumption levels. The ideological variables are again from Fording and Kim and represent the effects of electoral pressures within the two Swedish constitutional environments. The time trend variable, Year, takes the value 1960, 1961, 1962, and so on and is intended to capture general trends in capital accumulation and technological change. The variable “time after the 1970 constitutional reforms” takes the value 0 prior to 1970 and the values 1, 2, and 3 after unicameralism is adopted. Its coefficient represents changes in the long-run trend that can be attributed to the Swedish constitutional reforms adopted in 1970.

The five models estimated are very lean reduced form models that explore the effects of constitutional development, political and exogenous shocks on the level of private consumption realized by an average Swede (in column 1), and the difference between an average Dane and Swede in columns 2-5. The results suggest that both constitutional and Swedish political factors have contributed to the relative decline in Swedish prosperity.

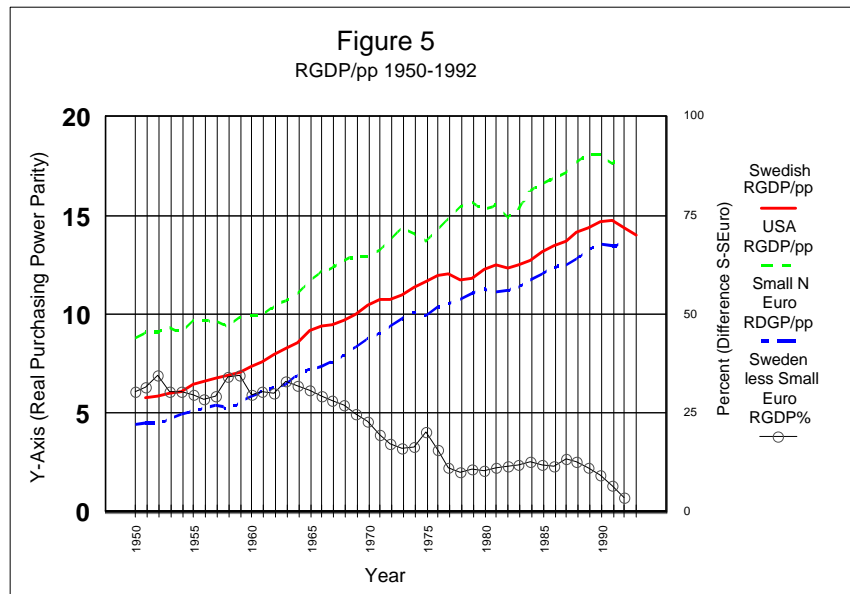
**Table 9**  
**Estimates of Difference between Swedish and Danish**  
**Real Consumption Per Capita**  
**(1960-96)**

	Swedish Private Consumption per capita	Real Danish Private Consumption (pc) less Swedish	Real Danish Private Consumption (pc) less Swedish	Real Danish Private Consumption (pc) less Swedish	Real Danish Private Consumption (pc) less Swedish
Constant	-477904.1 (5.40)***	627.200 (2.01)**	-793.323 (1.93)*	-525.55 (-1.54)	-488.703 (-1.49)
Unicameral		828.943 (2.29)***			
Swedish Voter Ideology	-56.414 (-2.73)		79.430 (3.00)***	64.334 (2.94)***	62.256 (2.97)***
Unicameral*Voter Ideology	35.535 (1.94)*		-23.540 (-1.22)	-33.192 (-2.01)**	-26.365 (1.63)
Years after 1970 Constitutional Reforms	-115.428 (2.47)**			49.400 (2.50)**	43.648 (2.28)**
Year	248.695 (5.54)***				
Non Social Democratic Swedish Government	295.184 (1.94)*				-454.82 (1.96)*
R- Square	0.964	0.126	0.555	0.635	0.674
F-Statistic	164.78***	5.22**	21.85***	19.17***	16.56***
DW Statistic	0.551	0.179	0.375	0.497	0.611

\*\*\* denotes significance at the 0.001, \*\* at the 0/05 and \* at the 0.1 levels of significance.  
The entire series of differences is positive in absolute values.

Recall that the estimates reported in table 8 indicated that political and institutional factors can explain the growth of government services within Sweden. The estimates reported in table 9 suggest that the same political and institutional factors can explain the course of real per capita consumption in Sweden and the decline of Swedish private consumption relative to Denmark. Particularly noteworthy is the coefficient for “years after the 1970 constitutional reform.” The coefficient for “years after the 1970 constitutional reforms” is negative for absolute Swedish per capita consumption, and positive for the difference between Danish and Swedish consumption per capita. These results suggest that the long-term trend in Swedish private per capita consumption became smaller after the adoption of the package of reforms adopted in 1970 and, moreover, smaller in relative terms than it would have been in the absence

of bicameralism.



Broadly similar results hold for Sweden’s overall economic growth in the post-war period, including both government services and private investment. Figure 5 depicts the per capita real gross domestic product using the Penn World Table data for RGDP that adjusts for differences in the purchasing power of national currencies. Figure 5 plots per capita RGDP for Sweden, the United States, and the small (population less than 10 million) countries of Northern Europe for the 1950-92 period (Finland, Norway, Denmark, Belgium, and the Netherlands).<sup>129</sup>

Measured in purchasing power parity terms, it is clear that Sweden had a substantially greater average total output per capita than its European peer group at the beginning of the period, although that advantage has been shrinking. Swedish per capita RGDP was more than 25 percent higher than that of the average small northern European nation in the period prior to 1970, but this advantage fell to just 3 percent by 1992.

<sup>129</sup> Penn World Table (Mark 5.6a) by R. Summers, A. Heston, B. Aten, and D. Nuxoll at the Center for International Comparisons, University of Pennsylvania (<icp@ssc.upenn.edu>).

Although all these countries exhibited significant economic growth during the period of interest, Sweden has grown relatively more slowly than the other small northern European countries from about the time that the parliamentary reforms were adopted in 1970.<sup>130</sup>

The theoretical model developed above hypothesizes that political demands (voter preferences for services) and political institutions largely determine the course of public policy, and the policies adopted by governments affect the course of economic development. That is to say, long-run economic growth is affected by the indirect effects of political institutions and voter demands along with the direct effects of technological change and international economic shocks.

Regression analysis again provides statistical support for this hypothesis. Table 10 reports several reduced form estimates of the difference between Swedish RGDP per capita and that of the less populous countries of northern Europe using data from the Penn World Tables and the same political and institutional explanatory variables as before. The results are broadly similar to those reported in table 9.

The institutional effects are proxied by variables similar to those used in the previous two series of estimates. The gradual process of cultural and technological change and capital accumulation are proxied in two ways. The first three columns use “year” to capture the effects of these long-term trends. The last two columns use patterns of economic development in other small northern European countries to proxy the real and political environment faced by Sweden. These simultaneously proxy technological change and real shocks that have broadly affected the European economic environment. (Voter income is now an endogenous variable.)<sup>131</sup>

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<sup>130</sup> Figure 5 suggests that some of the divergence may have begun prior to 1970. It was in this period that the new constitutional arrangements were being negotiated and, moreover it was in this period that the informal use of supermajority rule for enacting major programs began to disappear; thus, Swedish economic performance in the late 1960s may also have a constitutional foundation. It also bears noting that the difference between Sweden and other small northern European countries became significantly larger after 1970.

<sup>131</sup> The unicameral variables are years after the adoption of unicameral government in column 1. *Uniy* has the value 0 every year up through 1970 and then takes the value 1, 2, 3 . . . 21 from 1971 to 1992. “*Uni x Small North European RGDPpp*” takes the value 0 before 1969 and takes the value of the Small North European RGDPpp thereafter.

Table 10  
Estimates of Swedish RGDP per capita  
and Difference from other Small North European Countries

	Swedish RGDPpp (as a Baseline)	Difference SRGDPpp and SNERGDPpp	Difference SRGDPpp and SNERGDPpp	Swedish RGDPpp (as a Baseline)	Difference SRGDPpp and SNERGDPpp
Constant	-508113.0 (30.97)***	-46261.39 (3.07)***	-92433.54 (7.72)***	1277.42 (4.52)***	1277.42 (4.52)***
Unicameral			-442.520 (4.47)***		
UniYear	-73.206 (5.17)***	-70.714 (5.44)***	-75.472 (9.59)***		
Year	263.293 (31.48)***	24.488 (3.20)***	48.090 (7.87)***		
NonSocial Democrat			-437.856 (6.33)***		
Small N European RGDPpp				1.092 (23.37)***	0.092 (1.98)***
Uni x Small North European RGDPpp				-0.083 (3.44)***	-0.0833 (3.45)***
R-Square	0.99	0.53	0.84	0.98	0.4
F-Statistic	2024.84	23.27	51.19	1853.42	13.34
Durban Watson	0.519	0.42	1.27	0.47	0.46
N Observations	43	43	43	43	43

Data are from the World Penn Tables (Mark 5.6a)  
Numbers in Parentheses are absolute values of t-statistics, all those greater than 2.7 are significant at the 0.01% level.  
[Year is 1950 ... 1992; uniyar is 0, 1, 2 ... 21.]

Estimates of effects of unicameralism on the course of Swedish economic development are reported in columns 1 and 4. Note that the unicameralism variables all have negative signs which suggests that Swedish growth was diminished after unicameralism was adopted. Column 4 indicates that Swedish growth had been about 10 percent higher than that of its peers and fell to a level approximately equal to its peers after unicameralism ( $1.092 - 0.083 = 1.009$ ).

The three remaining estimates attempt to account for the different patterns of growth of Sweden and the other small northern European democracies. As noted above, the difference between Swedish real GDP per capita and that of comparable European counties has been shrinking as Swedish economic growth

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Both variables attempt to isolate changes in the underlying growth relationships associated with the change in political institutions.

fell relative to that of its peers in the period after unicameralist arrangements were adopted. The estimates reported in columns 2, 3, and 5 suggest that the relative “improvement” of other less populous countries of northern Europe can be substantially attributed to the adoption of policies adopted in Sweden that undermined previous policy advantages.

Of course, the post 1970 constitutional environment can not be the direct cause of Sweden's reduced economic growth. Rather, constitutional reforms enacted in 1970 apparently indirectly contributed to that decline by facilitating policy shifts that undermined Swedish advantages that had previously existed.

Of course, it is possible, that some other change *specific to Sweden* occurred in 1970 and that the three sets of empirical results reported above reflect the effects of other enduring economic or social developments, rather than political ones. However, the estimates overall suggest that whatever change took place affected *both* the course of government policies and economic developments in the manner hypothesized by the analysis. An alternative theory would have to explain both effects, not just one of them.

The constitutional explanation developed in this book provides a clear explanation for simultaneous changes in public policy and economic developments. Moreover, that constitutional analysis also predicts the times at which such changes should occur, namely at times when major changes in fundamental political procedures and constraints are adopted. The estimates reported above support those specific hypotheses, and also support the general contention of this book: that constitutions often have systematic effects on the course of public policy, and thereby on the quality of life that emerges under its procedures and constraints.

#### **F. Transparency and Constitutionally Induced Policy Mistakes**

The electoral decision faced by a typical Swedish voter is at once very large and very small. Within a PR system, voters need to determine the party that best represents their own interests. In Sweden, this has historically been a matter of comparing the platforms of the five major parties that run serious campaigns in national elections. To the extent that significant differences exist in the platforms of the parties, this choice may be clear as long as the voter's intuition about the relative merits of alternative policies is tolerably represented by one of the major parties.



At the same time, for a voter to go beyond a broad intuitive appraisal of the alternative party platforms is difficult. Modern voters face a much more complex menu of policy alternatives than voters did a century ago, partly because the magnitude and variety of government programs are much greater and because relatively less about each program is known and reported. Increased complexity together with relatively less reporting implies that voters will be more likely to make mistakes in determining the policies that they favor and the parties for which they vote. (Skeptics should remember that even experts often devote a significant part of their lives to understanding just one area of policy fairly well.) Moreover, greater discretion on the part of party leadership, given any misalignment of real and imagined interests, may lead to policy choices that are even more difficult for ordinary voters to monitor.

Clear historical evidence exists that policies have not always advanced the broad interest of the electorate, as noted in the previous discussion. For example, if average material welfare falls significantly, past policy is unlikely to have been in the broad interest of the electorate. Some ambiguity is introduced by such an appraisal when equity-increasing policies are the source of such effects, because reduced material welfare may be a price willingly paid for the equity-increasing policies that were put in place. But, in many cases, as has been argued above, declines in absolute or material welfare arise because of policy failures.

Other historical evidence provides additional and perhaps more conclusive evidence of policy mistakes. Consider the case of *policy reversals*. Policy reversals suggest that voters have changed their minds about what constitutes the best policy. If we follow the usual practice of the economist and assume that voter preferences are more or less constant, such changes can only come about because constraints have changed or expectations about the relative effectiveness of policies have changed. Experience may prove that some policies do not work as well as voters expected or were told. In such cases, policy reversals clearly indicate that a mistake has been made.

Evidence of policy mistakes is clear in cases in which policy disappointments or failures generate new electoral pressures for policy reform or intensify public interest in a manner that reduces the discretion of party leadership and any policy bias that such discretion may have generated. Equity-increasing programs may cost more than expected. Centralization may fail to realize sufficient economies of scale to offset the advantages of local control.

Tax rates may be found to have had a greater effect on economic performance in the long run than anticipated. Increased monitoring by voters often occurs when scandals and policy disasters lead voters to watch some policy areas more carefully than in the past.

Many instances of policy reversals occurred in Sweden during the 1990s that appear to be efforts to correct mistakes made during the previous two decades. For example, the share of GDP directly controlled by government has been falling (see tables A5-A8 in the appendix). Marginal tax rates have been reduced. Local governments have been granted greater autonomy.

Of course, the correction of mistakes is a positive feature of democratic governance. Many mistakes by parties, politicians, and voters are inevitable, perhaps even more inevitable than mistakes in ordinary life. Correcting such mistakes is one reason that constitutions call for periodic elections and meetings of the legislature. And, no constitution or institutional arrangement can completely eliminate error. However, some constitutions tend to make policy mistakes more likely or more serious than others.

Several features of the current Swedish constitution tend to cause policy mistakes to be both larger and more common than necessary. The unicameral parliament together with the tendency of parties to “lead” policy opinion by being more extreme than their supporters tends to allow fast policy responses to shifts in public opinion and, moreover, to policy responses that exaggerate current sentiments in the electorate; thus, sudden shifts in the demand for government services (as in the late 1960s and 1970s) tend to be met with greater supply responses than may be consistent with long-term interests of the voters.

The likelihood of voter errors also tends to increase with the general shift toward centralized policy making, which tends to increase the complexity of the policy problems to be analyzed by voters. That is to say, centralization tends to make “all local policies national.” As programs are centralized, conscientious voters will find that they can no longer simply appraise local needs, but increasingly have to consider the needs of *all* localities simultaneously—on most of which the voter has little or no direct knowledge. Weakening the connection between local service levels and local tax costs also tends to create a bias toward larger programs—by creating national “fiscal commons” problems.<sup>132</sup>

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<sup>132</sup> Rattsö (1998) includes several discussions of the policy consequences that occur when local governments interact with national governments in a setting in which the

The increased use of the executive (cabinet government) to establish policy also tends to increase the likelihood of voter mistakes, insofar as it reduces public debate and analysis. Executive policy making clearly makes new policy easier to adopt, but does so by reducing the flow of information that voters and others outside government may sift through to make their own independent policy appraisals. Such decision-making procedures make monitoring more problematic and consequently tend to increase the likelihood of genuine policy errors. Even if the cabinet gets what it wants, it may not always have the broad interests of the citizenry at heart.

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national government controls revenue sources.