



Neo-liberal ideas in Social Democratic arguments?

- A look at the privatization debate regarding the Swedish railway sector

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Abstract

Privatization is said to be fundamentally a neo-liberal idea and deregulation is one form of privatization. The Swedish railway sector has been deregulated gradually over the years. Some of the policy changes towards more deregulation have been done with the Swedish Social Democrats in government. This thesis analyzes the arguments for and against privatization on two occasions, 2000 and 2009 with the Social Democrats in government and opposition respectively, to see if the party's argumentation has been influenced by neo-liberal ideas and if that change depending on whether they are in government or not. The analysis shows that there has been influence of neo-liberal ideas on arguments from the Social Democrats and that their view on privatization and deregulation differed depending on whether they were in government or in opposition.

Keywords

Privatization, Deregulation, Neo-liberalism, Social Democracy, Ideas, Railway

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1. Introduction

The government thinks that an efficient competition between different operators [...] is a powerful way to create a system that in a more efficient and better way fulfills the customers' demands and needs. (Prop. 1999/2000:78, p. 10)

This is what the Swedish Social Democratic government said in the governmental bill that was submitted in early 2000. Among other things the governmental bill proposed a transformation of SJ from a state owned enterprise into a limited company¹. It also proposed facilitating easier entry to the railway sector for other actors to further competition, which was said to benefit the sector and the economy. At the end of the same decade the tone from the Swedish Social Democrats (as well as other left wing parties for that matter) was a different one.

If we are elected, we will halt the deregulation of the Swedish railway sector.

This was the message from representatives of the left-wing opposition in Sweden some months before the Swedish general election in 2010 (Hallengren, Ohly, Svensson Smith, & Rudén, 2009). The message was a response to the proposed, and accepted, governmental bill "Konkurrens på spåret"² with the aim of making the deregulation of the Swedish railway sector complete. The representatives argue that the right-wing government uses the Swedish railway sector as an experimental tool and that the sector is too important to be handled as such.

The deregulation and privatization of the railway sector has continued the last decades since 1988 when the Transport Policy Act was accepted. Both governmental bills referred to above have been part of the same process to deregulate the Swedish railway sector. Why did the Swedish Social Democrats present such divided views on the subject on two occasions so relatively close in time?

Privatization, according to Lennart Lundqvist, is fundamentally a neo-liberalist idea. The state is seen as un-fit for owning and running enterprises that could be run by private companies (Lundqvist, 2001, p. 253). The governments during this period have been of different political

¹ Limited company is the equivalent to the Swedish Aktiebolag.

² Proposition 2008/09:176 Konkurrens på spåret

orientations, both socialist and right wing coalitions. Jean-Jacques Rosa and Edouard Pérard claim that trends of privatization (and of nationalization for that matter) has been prevalent regardless of the political orientation of the current government at a certain time, and that privatization processes thus cannot be explained by who wins the election (Rosa & Pérard, 2010, pp. 110, 113).

If privatization is a neo-liberal phenomenon, have neo-liberal arguments been guiding the politicians from the Swedish Social Democrats in this issue over the last decades? Have the party, while in government, been influenced by these arguments even though the party in the present moment seem strongly opposed to it now that they are in opposition, i.e. have their stance regarding privatization changed depending on whether they are in government or opposition?

1.1 Aim

This thesis aims to identify and map neo-liberal arguments related to privatization and compare this with the debate in Sweden concerning the privatization in the railway sector, both from the perspective of government and the perspective of opposition. That right-wing parties to some extent should harbor neo-liberalist ideas would not be surprising. But since the Swedish Social Democrats have been in power for the bigger part of this period since the Transport Policy Act of 1988, including one of the periods referenced to above, it is interesting to see how influential the neo-liberalist ideas have been. Privatization has been an ongoing trend in the Western world the past decades. This raises the question whether pro-privatization arguments in this debate have become more influenced by neo-liberal arguments over time and if the politicians are more prone to adhere to these arguments when they are in power (maybe as a response to pressure from the outside world).

My research question is: Can neo-liberal arguments be identified in the political debate concerning privatization in the railway sector from politician of the Swedish Social Democrats and has the tone of the debate changed over time with the changes in power relations, i.e. when they are in government compared to when they are in opposition?

Since Social Democracy is an ideology not exclusive to Sweden I will try to avoid confusion by henceforth referring to the Swedish Social Democrats as SAP (short for “Sveriges socialdemokratiska arbetareparti”).

2 Literature review

In this thesis I aim to analyze the debates concerning the continuing deregulation process of the Swedish railway industry from 1988 and onwards. The railway sector is a network industry that historically has been seen as a natural monopoly (Héritier, 2002, p. 996). Other sectors that share this trait are communications, energy, etc. Looking only at Sweden, sectors like telecommunications, postal service and the energy sector have all previously been run as state monopolies, but have over the years and after much debate bit for bit been deregulated and privatized.

Upon reviewing literature concerning political ideas regarding deregulation and privatization of state monopolies concerning network industries, two methods of analysis strikes me as more common concerning the debates. One way seems to be to make a historic account of the arguments and debates concerning the issue at hand. By this I mean almost a chronological list of arguments for and against privatization, made by politicians and experts concerning the sector that is being examined. The other method of analyzing argumentation that I have found is to list arguments and reasons for or against privatization. In this way, it is arguments that are examined (or provided) and not any specific political process.

2.1 Arguments in a political process

To analyze arguments is, as noted above, a historic listing of arguments in relation to a specific political process. In his book *The Accidental Deregulation*, Gunnar Alexandersson focuses on the deregulation process of the bus and railway sectors in Sweden (2010, p. 17). Mats Bladh has done a similar study concerning the Swedish postal sector (1999, pp. 16-17), another sector that has had a similar path as the railway sector in Sweden. These books offer almost a year-by-year review of the process. Concerning the debates, they seem to be divided according to political division. Politicians to the right have generally been advocating more privatization, whereas politicians to the left have been more opposed to it (Alexandersson, 2010, pp. 73-74; Bladh, 1999, p. 209). Of course, the political setup in government at a certain time does not alone explain why a privatization process either proceeds or halts. Per Högselius and Arne Kaijser provide a detailed account of the privatization process in the Swedish energy sector (2007, pp. 10-11), and in their book we can see that arguments in favor of privatization can come from left-wing politicians as well, if they assume that privatization

or deregulation can have positive effects in the efficiency of the sector (Högselius & Kaijser, 2007, pp. 88-89).

2.2 To list arguments

Two main arguments for privatization according to David Parker (1999, pp. 33-34) are based on finance and efficiency. First, there has been the financial reason, like in Italy and Portugal, where state owned enterprises have been sold in order to raise money to fight of budget deficits. It is important to note that the privatization has been used to solve financial problems. Economic problems in a country can, on the other hand, actually hamper a privatization process as there has been examples where states are more inclined to nationalize in such cases, such as in Finland in the nineties (Parker, 1999, pp. 11-13). As for combating state deficit, the European Union has been a driving factor as one of the criteria for joining the monetary union has to do with the country's deficit (Parker, 1999, p. 20). Second, there is the issue of efficiency. An argument that is closely related to the issue of efficiency is the one about incentives. The goals for the manager of a publicly owned company differ more or less from those that the manager of a privately owned company has to face. The issue of economy is also often less rigid in the public company (Sheshinski & López-Calva, 2003, p. 431). The 'agency view' (concerning the issue of incentives) states that managers are less monitored in a public company and have political objectives to take into account as well as economic objectives. This adds to a lack of efficiency in these types of companies (Sheshinski & López-Calva, 2003, p. 434). Another possible reason for privatization is based on ideology (Rosa & Pérard, 2010, p. 113). Up until the 1990s, views in favor of privatization were largely reserved for politicians to the right, while left wing governments still kept the idea of the state as a more able owner. However, after the 1990s privatization spread around the globe along with economic globalization and communism collapsed. New technological inventions meant that national monopolies were no longer seen as automatically the best thing for network industries, such as the railway sector for example (Zohlnhöfer, Obinger, & Wolf, 2008, pp. 96-97). If ideologies had been a more determining factor, we would see greater changes in policies as political setups in government changes than we do now. That does not necessarily mean that ideologies and preferences within a party change. Other determinants, such as financial ones, play a part in what is decided (Rosa & Pérard, 2010, p. 113).

2.3 Contribution

As we have seen above, literature about privatization mainly has two approaches. One is to list arguments made by politicians or political parties and detail when they were said and maybe what it resulted in with regard to a certain political process. The other method is to list arguments independently of any political process they might have been associated with. This provides a clear and detailed look either at argumentation in a certain political process or at general arguments that might arise in any political process. Both ways of describing privatization also offer some more prevalent reasons for it, e.g. finance, ideology and efficiency.

What the literature above does is to see what the arguments might be, from what direction the arguments come from and when they do it. What it does not do is to see in what political view (not party politics) the arguments' foundation lie. I aim for my research to offer some contribution here. Since privatization is said to come from mostly neo-liberalist views (Lundqvist, 2001, pp. 252-253), I plan to analyze arguments that have risen during the privatization process of the Swedish railway sector by comparing them to what neo-liberalist argumentation looks like. This thesis will be limited to SAP argumentation. This will help determining whether or not and in what way the arguments from SAP in the process that has led to today's fully deregulated railway sector has been influenced by neo-liberalist views.

3 Theory

As the literature above show I have found mainly two ways to map arguments, listing of arguments and chronologically go through arguments connected to a certain issue. This thesis will concentrate on whether SAP argumentation can sometimes be categorized as neo-liberal.

A lot of the argumentation in favor of privatization has its origin in neo-liberalist thought (Lundqvist, 2001, pp. 252-253). In order to provide a clearer picture of the issues at hand in this thesis some definitions have to be explained. The following part will give a brief overview of the existing literature concerning neo-liberalism, but also privatization and deregulation, which are closely linked. According to Lennart Lundqvist (2001, p. 261) deregulation is one path for the state to take in a privatization process, which could for example include free right to establishment. I have chosen to compare the neo-liberal ideas with those of Classical Social Democracy and those of Third Way Social Democracy, which is a new form of Social Democracy that has had a large influence on British Labour among other things. Apart from aiming to explain what neo-liberalism and third way social democracy mean the theory should conclude in a framework for analysis.

3.1 Ideas in public policy

It would be too easy to explain policy outcomes by the political color of the ruling parties in government. As noted above governments of different orientations can work towards similar goals even if they seemingly would have different opinions about it. It is thus not possible to explain for example privatization by who wins the election (Rosa & Pérard, 2010, pp. 110, 113). The notion that ideas could be used as a possible explanation to political events has traditionally been met with skepticism in many quarters (Berman, 1998, pp. 14-15). Sheri Berman in her book *The Social Democratic Moment* (1998) has sought to present the prospect of using ideas as a possible explanation to why the socialist movements in Germany and Sweden took such different paths during the interwar era. In order to use ideas as a variable in explaining policy evolvement, “ideas must be able to be clearly identified and associated with specific political actors” (Berman, 1998, p. 19). In the case of the change in American race policy and the Civil Rights Act during the 1960s, ideas has been brought forward as a part explanation to why the events unfolded as they did (Lieberman, 2002, p. 709). Paul Quirk states that when trying to explain deregulation, economic changes that some theorists propose

as an explanation is not adequate. Economic theory, he argues, are important in explaining policy making. But it is not the only explanation, as there is a notion of public interest, adherence to undefined constituencies, etc. that need to be taken into account (Quirk, 1988, p. 39). Instead one has to insert the theory of ideas in the explanation (Quirk, 1988, pp. 32, 40).

3.1.1 Ideas and policy in relation to power

Power relations, i.e. whether a party is in a position of government or in opposition, can affect what kinds of policy outcomes the party will work towards, despite their party ideology. There are two main reasons for this, first external circumstances, second the influence of other ideas, for example neo-liberal ideas.

An example of external circumstances is when François Mitterrand was elected president of France in 1981 and preceded to introduce neo-Keynesian policies (in line with his party's ideology) to disastrous effect before reverting them in 1983. As parties come into power they might be forced by external circumstances to promote policies that normally would be associated with their opponents. Coalitions with other political parties can obviously also influence the policy a party works toward in the position of government (Schmidt, 2005, p. 5). Pressures from the outside world, stemming from globalization, can also to some extent put limitations on what the government is able to do. Therefore politicians in government can sometimes be influenced to work towards goals that might be unpopular among their constituents, and if they feel it necessary maybe blame it on globalization or other kinds of pressures that could have any influence (Merkel, Petring, Henkes, & Egle, 2008, p. 17).

Other ideas than party ideology may matter, for example international trends in ideas that affect policies despite party ideologies. Ideas about privatization consist of more than just techniques behind it (Starr, 1991, p. 26). That privatization sometimes sweeps over different nations simultaneously is a sign of the importance of neo-liberal ideas in public policy. Self interests of politicians go a long way to explain policy outcomes, but those interests are affected by ideas from the outside world, for instance international trends or domestic proponents for privatization, about perceived favorable policy processes (Feigenbaum, Henig, & Hamnett, 1999, p. 151). For example, regarding a shift in the policy on pension plans Kristina Babich and Daniel Béland conclude that ideas can have durable effect on policy development (Babich & Béland, 2009, p. 267). Ideational processes can form the agenda regarding reforms and problems that need to be addressed. Again, these ideas can cross

borders between nations thorough the interactions of politicians, academics, etc (Béland, 2009, pp. 709, 712).

If ideologies alone would determine how a party would formulate policy, a country’s direction would change with every newly elected government. This is not the case as privatization (to use the theme in this thesis) or nationalization sweeps countries in waves during different periods. Thus, a party would be able to agitate for its ideology and preferred policy when in opposition but they might be forced to change that stance to comply with outside forces (Rosa & Pérard, 2010, p. 113). In a period when ideas that are generally favoring privatization, the relation between the importance of the privatization ideas and a socialist party’s ideology could look something like in Figure 1 below when the party is in government or in opposition. If ideas favoring privatization is spreading at the moment, a socialist party’s ideology might have to have a less important role in the policies produced when the party forms the government. In opposition, the ideas favoring privatization might be less important and the party can thus argue in line with its ideology more. Of course, there are instances where a party’s ideology might not wholly oppose privatization (Giddens, 1999, p. 132), and the ideology would thus be in favor of privatization to some extent. This is indicated by the “Government-square” moving into the checkered area in Figure 1, which would show that the ideology could be important to a slightly larger extent (e.g. a right wing party’s “Government-square” would probably be where both ideas and the ideology is important).

Figure 1: A socialist party’s ideology in relation to ideas

		Socialist party’s ideology	
		<i>Important</i>	<i>Less important</i>
Ideas favoring privatization	<i>Important</i>		Government
	<i>Unimportant</i>	Opposition	

The aim of this thesis is, as pointed out earlier, to examine arguments in the process of the deregulation of the Swedish railway network. As I will be examining bills made by politicians, I might get different views, arguments or formulations than I would have if I had

chosen to examine for example official party policy documents. That is why ideas matter in the case of this thesis.

3.2 Privatization and deregulation

Privatization can be defined as “the sale of a state-owned firm to the private sector” (Cuervo & Villalonga, 2000, p. 581). Privatization indicates an active decision by a democratic political body to move something in a specific direction. The direction is from the state to the private sector and it has to be something that has previously been in the possession of the public sector (Lundqvist, 2001, p. 255).

There are different theories for reasons for privatization undertakings by a state. There is the theory that privately owned enterprises are more efficiently run than their state owned counterparts. One argument for this is the perceived lesser interest by the public manager to reduce costs (Rosa & Pérard, 2010, p. 112). There are also ideological explanations, where decision whether or not to privatize lies in the preferences of the ruling government, although that factor is not viewed as significant (Rosa & Pérard, 2010, pp. 113, 126) as, at least in the European Union, ideology has played a small part in privatization policies and opponents of privatization has continued with it even after gaining power (Parker, 1999, pp. 16,18). Another argument for privatization has been the financial one. The most famous example is probably about funding issues for British Telecom (Palmås, 2003, p. 12) which will be explained a little bit further in the next part, but privatization can also be a tool for encouraging the capital market and attracting foreign investors to the stock market by introducing public companies there (Parker, 1998, p. 19).

According to Lennart Lundqvist (2001, pp. 261-262) there are different ways to go to privatize a sector. One of them is through deregulation. To broadly define deregulation one can mention the simplifying or actual removing of the regulatory framework by public policy makers. The reasons for it could be to facilitate new players on the specific market, thus making it more competitive (Alexandersson, 2010, p. 32). When the state decides exactly who is allowed to for example perform a service it can easily lead to a monopoly, which free right to establishment would counteract (Lundqvist, 2001, p. 262).

Another way of privatizing is definancing, which Lundqvist (2001, p. 263) explains as the removal of public subsidies on goods and services. The financing is thus privatized, as it now falls upon the particular individual (or company) to finance its purchase. A third way of

privatization is deproduction, which Lundqvist describe as the state letting private firms produce goods and services on contracts by tender. The reason for having private companies produce goods and services for the state could be to avoid a situation where a monopoly forms and cost efficiency are harder to measure as a consequence (Lundqvist, 2001, pp. 264-265). The way that several actors have operated the Swedish railway sector until now is through public procurement for the passenger service on railway by regional bodies of the state (Alexandersson, 2010, pp. 202-203). The fourth form of privatization is divestment, in which the state reduces its property by selling it to the private sector (Lundqvist, 2001, p. 265). Most of the buildings related to the railway (station houses, service halls, etc.) are now for example owned by Jernhusen. Although the company is owned by the state, it has control of the real estate that used to belong to the Swedish State Railways (Alexandersson & Hultén, 2005, p. 6).

The reasons for keeping markets regulated have historically been to protect the public from market failures that could follow in a competitive market. This notion received criticism in the sixties as researchers began to argue that state intervention could be just as harmful or worse. A regulated market could, it was argued, stifle innovation and creativity. Another argument opposing regulated markets was the increasing spending on subsidies by governments on non-commercial services (Alexandersson, 2010, pp. 35-36).

3.2.1 Background and the privatization of railway transportation in Sweden

The founding of the term “privatization” can be attributed to Great Britain’s conservative government of the early eighties, even though they were far from the first country to try it. However, the experiment in Britain is historically the most important as it was the most successful to date (Megginson & Netter, 2001, p. 324). British Telecom held a monopoly on Britain’s telecommunications industry. As the need arose to increase the capacity of the network, British Telecom was unable to finance this. Prior policy regarding the needs of British Telecom had always been to contribute more money from the public treasury, but the economic crisis of the seventies and the demands from the IMF after the emergency loans left Britain unable to draw the needed funds from the treasury as before. In the end, the government decided to sell 51% of British Telecom in an attempt for it to receive more capital (Palmås, 2003, pp. 12-13).

In the following part I will present some background information to what has happened in the privatization process of the Swedish railway sector to try and connect it with the theory on privatization. The Swedish railway network is operated by a variety of traffic operators and maintained by different companies. But by the early 1950s the Swedish railway network was completely nationalized and the Swedish State Railways (SJ) controlled all railway traffic in Sweden. However, SJ faced continuous problems with profitability and ran deficits. Unprofitable lines were closed. As a way to halt the further closing of unprofitable lines, the state began to subsidize these lines in 1958 (Alexandersson, 2010, pp. 70-71). From then on there has been varying degrees of policy changes relating to the Swedish railway sector. The Transport Policy Act of 1988 can be seen as the starting point to the deregulation process leading up to today. There was a vertical separation of SJ, splitting the infrastructure and the transportation business. The transportation part stayed with SJ and the responsibility for the infrastructure was transferred to the newly formed Swedish Rail Administration (Banverket³). It was now also possible for independent private companies to apply for permission to operate on the country's railways (Alexandersson, 2010, p. 72; SOU 2008:92, pp. 41-42). From that point, the privatization and deregulation process has continued like in other sectors and other countries. As for the competition between different actors for passenger services, SJ has had a monopoly on important profitable lines, such as between Stockholm and Gothenburg. Regional lines have been up for competition between private companies through public procurement. Thus, there has been no actual competition between actors on the traffic between the occurrences these procurement processes. The only time two companies compete is for the contract, for which it could go some years between the times it is offered (Alexandersson, 2010, pp. 203-204).

3.3 Three ideological perspectives and their relation to privatization

This following part will present three ideological perspectives that I will use in this thesis to map and study the differences in argumentation regarding privatization from SAP when they are in government and not. The perspectives I have chosen in this study are neo-liberalism, Classical Social Democracy and Third Way Social Democracy. The reason for this is that privatization is a way of changing the economy of a society that has been closely linked to neo-liberal ideas (Lundqvist, 2001, p. 253). The two forms of social democracy seem like an obvious choice to make when investigating the ideas of a social democratic party.

³ Banverket does not exist on its own anymore, but is as of 2010 part of the Swedish Transport Administration (Trafikverket).

3.3.1 Neo-Liberalism

As Dag Einar Thorsen and Amund Lie point out, neo-liberalism has been generally been described in a negative way in the political and academic debates (Thorsen & Lie, p. 2). I will however try to explain some concepts of neo-liberalism according to previous literature on the subject.

First of all, neo-liberalism should not be interpreted as liberalism having been revived and regained past popularity. Although the term "liberalism" is quite vague it still must be considered dominant in politics today, as not many politicians would oppose freedom for individuals (Thorsen & Lie, p. 2). Liberalism today is more willing to let the state be an important factor in the economy, in the role of regulator of the market and provider of services to citizens (Thorsen & Lie, p. 5). Neo-liberalism on the other hand, and despite its name, is heavily influenced by classical liberalism. Arguments from the seventeenth century against the powerful state can be likened to arguments against today's welfare state. Both John Locke and Robert Nozick argue that the only part the state should play is to be there to ensure that the freedom of individuals is upheld. The economic views, that individuals should be free to shape their lives and pursue their dreams with the market as the best way to make that happen, dates back to the views of Adam Smith (Larsson, 2006, pp. 140-141). It is also worth mentioning globalization here, since I will talk more about it later in relation to third way social democracy. While third way partly arose as an answer to globalization, neo-liberalism can be seen as a driving force behind it. New methods and ways of thinking in the economy attributed to neo-liberalism have lead to a more globalized economy according to some (Cerny, 2008, p. 2).

The term "libertarianism" often describe the same phenomenon, and the ideal state in this view is a Night Watchman State where the only tasks left to the state is law enforcement, both internal and external, to ensure that citizens can pursue their freedom (Halldenius, 2003, p. 20). The same could be said about government and the model of representative democracy we use in the Western world. According to neo-liberalists, individuals have no real say in elections. They can only choose from whatever is available during elections without being able to actively influence the content or even be assured that what is promised are honored. The market, they argue, is superior to the state when it comes to meeting requirements of the citizens (Larsson, 2006, pp. 144-145).

3.3.2 The Third Way

The “third way” is not an ideology itself, but a new direction for social democracy that was formulated by Anthony Giddens (Merkel, 2001, p. 51). Giddens’ ideas contributed for example in a large part to the policies of Tony Blair’s New Labour (Temple, 2000, p. 308). What the “third way” is more than anything else is a response to change, and the social democracy has to adapt its policies and outlook to correspond to the new values in the world (Giddens, 1999, p. 33; Giddens, 2000, p. 27). According to Giddens, third way social democrats should view globalization and a free market in a positive light, but must cast a watchful eye on them to protect the social sphere from the inherent dangers in them. It is the role of the state to protect the public from, and guide them through, the perils of globalization. Furthermore, on the issue of individuals, there is more emphasis on the responsibility of the citizens and just not on their rights as it has been before. Margaret Thatcher is said to have influenced third way ideas (at least New Labour in Great Britain), and the realization that it would be impossible to go back to the social democracy of old days, because of the more individualistic direction of the community today (Temple, 2000, pp. 305, 311-312).

3.3.3 Social Democracy

Social democracy can be both an ideology and a “family” of certain parties. I am not going to dwell in the characteristics of the parties but instead focusing on the ideology, which started with the ideas of Eduard Bernstein in 1917. To simplify, social democracy can be positioned somewhere between socialism and liberalism (Pettersson, 2004, p. 51). Some characteristics of the social democratic welfare state are that it provides a large array of services to the population, aiming to reduce inequality by redistribution, applying the same programmes on the entire population. Social and economic rights are a civil right and must be protected by the state to ensure it (Huber & Stephens, 2001, p. 277; Meyer & Hinchman, 2007, p. 210).

3.4 Criteria for analysis

In order to categorize the arguments in relation to the different perspectives I will use some indicators to identify the arguments. First of all, two more general views regarding the state and economy will be identified to explain the views of the perspectives in that regard: First, I want to answer what the basic value of the perspective is and second, what the perceived best organization of the economy is. To concentrate more on the topic of this thesis I also need to

answer what kind of problems or challenges the society's economy faces and what kind of effect privatization might have in regards to that.

3.4.1 Basic Value

The basic value of neo-liberalism is freedom. In the economy this means the freedom of entrepreneurship and the ability to operate on a free market. Individually it means that a rational and free individual is the foundation on which society rests and that this freedom has to be cultivated and protected (Dean, 2009, p. 51).

The basic value for third way social democracy is equality. It differs somewhat from classic social democracy, as an important part of this for example is real opportunity, which by some could be seen as leaning more towards neo-liberalism. But it is important to note that this equality has to be combined with some redistribution in order to prevent inequalities (Driver & Martell, 2001, pp. 45-46).

Classical Social Democracy is based on "liberty, equality and fraternity" from the French revolution. Solidarity (fraternity) has to exist in order for liberty and equality to be possible and can thus be said to be the most basic value (Merkel, Petring, Henkes, & Egle, 2008, pp. 7-8).

3.4.2 Best organization of Economy

One of the main arguments for neo-liberalism has been that the market is more able to face situations than any alternative involving state interventions. Individuals are capable of deciding what is best according to their individual interests. It is therefore argued that to gain higher economic efficiency, the state must allow individuals their freedom by limiting its involvement in the economy (Larsson, 2006, p. 142; Smart, 2003, p. 164). Privatization and deregulation is seen as a way to achieve prosperity for the entire community, regardless of how well to do the individual is (Giddens, 2000, p. 25).

The railway sector, like other sectors, is due to the deregulation hugely affected by globalization, as competition for the permission to operate on a nation's railway network is open to actors from other nations as well. On the case of social issues and the relationship of the market and the state Giddens claim that the market is always subordinate to the state in one way or the other according to classical social democracy, either creating welfare by redistribution of income, or having some separation of public and private sector but with the

state as an active actor in the industry. Emerging neo-liberalism brought ideas of competition to the table and the third way is highly influenced by that. Another sort of cooperation between public and private sector is desired, where the state can make better use of a dynamic market but with the interest of the public at hand. Globalization has certainly pressed for this development, and it also means concessions has to be made by the state as sectors sometimes has to be less regulated to achieve this (Giddens, 1999, pp. 109-110). Collectivism has to make way to some degree for individualism and more freedom for the individual, with the social sphere in the background but ever so important in order for the community to work (Giddens, 1999, pp. 72-73). Deregulation is not entirely a negative thing according to third way thinking, but whereas neo-liberals see deregulation as something that should be taken as far as possible for the good of the society, the third way takes a more careful stance. Deregulation, according to Giddens, should not be seen as the sole answer (Giddens, 1999, p. 132).

The state, according to classical social democracy, represented the collective will and it was therefore natural and desirable for the state to have a strong presence in the various sectors on the country. Market forces on the other hand had to be seen in a negative light and state intervention was necessary to remedy some of the problems it caused and supply citizens with services that the market was unable or unwilling to provide. The market has to be regulated in order to secure important values such as equality and justice (Giddens, 1999, p. 19; Merkel, Petring, Henkes, & Egle, 2008, p. 8).

3.4.3 Challenges of society

State owned companies are according to neo-liberalism inefficient and not flexible. (Lundqvist, 2001, pp. 253-254). Both public and private sector actors are utility maximizers according to neo-liberals. When private sector actors maximize their utility, they do so to the benefit of the customers, shareholders, etc. They have to perform well to keep their job, avoid bankruptcy, etc. Actors in the public sector do not share the threat of bankruptcy (Plant, 2004, p. 30; Lundqvist, 2001, p. 253).

Anthony Giddens repeats globalization as a reason behind social democracy's need for a new kind of policy. He sees nations coming together more and more and markets in nations becoming more intertwined. The state according to him must be a stabilizing force (Giddens, 1999, p. 141). As different countries and markets become more intertwined because of

globalization it becomes more difficult for a state to regulate its own market the way it used to be able to do, which could be one explanation to the emergence of the third way (Pettersson, 2004, p. 136). Social Democracy had to reinvent itself from the old Keynesian ideas of the state as the sole guarantee for economic growth but also stand in the way of the more ruthless components of neo-liberalist free market ideas. Although Social Democratic parties all over Europe follow slightly different paths depending on the situation or maybe tradition in the country, the similarities are striking enough to talk about a third way social democracy (Green-Pedersen, van Kersbergen, & Hemerijck, 2001, pp. 309-310).

The key for classical social democracy is equality in power and wealth. Liberalism puts workers at the hands of the wealthy clique of the society as wealth equals power and liberalism favors the collecting of wealth by the already wealthy. As power entails individuals to run for office it is not democratic that wealth is so concentrated among a few individuals (Ball & Dagger, 2009, p. 39).

3.4.4 Effects of privatization

Privatization will increase the flexibility as well as the efficiency of the market according to neo-liberalist thought (Lundqvist, 2001, p. 253). Maximizing utility in the private sector means increasing the scope of the public (Plant, 2004, p. 30; Lundqvist, 2001, p. 253).

The public needs more cooperation with the private sector in order to adapt to a more globalized world according to third way social democracy, and privatization is a mean to achieve that. However, there are risks associated with letting the market act too freely as that could breed inequalities and privatization can have that effect as well (Giddens, 2000, p. 27).

Classical social democracy is concerned with making sure that wealth is distributed as evenly as possible. Civil liberties are difficult to preserve when there are inequalities among the citizens of the economy and wealth is distributed unevenly. Privatization and distributing of wealth from the public to the private would then rather enhance the problem (Ball & Dagger, 2009, p. 40).

3.4.5 Analytical tool

The review of the different criteria was aimed at highlighting the different ideological perspectives' view on them. The review can be summarized in the analytical schedule contained in Figure 2.

Figure 2: Analytical tool

	<i>Neo-liberalism</i>	<i>Third Way Social Democracy</i>	<i>Classical Social Democracy</i>
<i>Basic goals</i>	Freedom and efficiency	Equality and opportunity	Solidarity
<i>Challenges to society and the railway sector</i>	Inefficient economy.	Inequality and the need to adapt to globalization.	Inequality
<i>Best organization of economy</i>	Market forces (with limited state involvement).	Market forces (with far-reaching state involvement).	Regulated market
<i>Effects of privatization</i>	Increased flexibility and efficiency. Freedom.	An answer to globalization and a risk of inequality.	Inequality

3.6 Further aim, questions and hypotheses

I will look at different debate contributions from SAP in regards to the privatization of the Swedish railway sector and make comparison between SAP in government and in opposition. I will choose two occasions in the deregulation process that started in 1988. The occasions will be determined by time of release of governmental bills, one with SAP in government and one with SAP in opposition. In order to provide a clearer picture of what the policies meant, I will also use part of my analytical schedule on the actual policy that has been decided upon. This is because the events and contents related to the reforms in question might be clearer that way. The following are the questions I hope to answer:

1. How are neo-liberal ideas, classical social democratic ideas and third way social democratic ideas about the organization of the railway sector expressed in actual policy during SAP's time in government and in opposition?
2. How does SAP use neo-liberal, classical social democratic and third way social democratic arguments in the debate when they are in government and opposition?
3. To what extent and in what respect are the arguments of SAP neoliberal when they are in government and classical social democratic when they are in opposition?

It is important to point out that the thesis' aim is not some kind of a valuation of the policy. One of the policy changes that I include in this thesis might be concluded to be more or less neo-liberal than the other one. But that distinction is not part of the research for this thesis, the subject of interest for this thesis is the occurrence of neo-liberal ideas in SAP argumentation and how, if they exist, they use them. My hypothesis is that SAP is more pragmatic in their argumentation while in government and that they might be able to express their ideology

more freely in opposition. As was shown above for example, outside pressure can force the politicians' hands and move them towards policy paths that they normally might not have taken (Merkel, Petring, Henkes, & Egle, 2008, p. 17).

4 Method

This thesis focuses on arguments in the debate regarding the deregulation of the Swedish railway sector, in particular arguments from SAP. The aim is to identify the arguments and categorize them according to an analytical schedule. A further aim is to see how closely SAP stands to their traditional ideology in the debate. The comparisons are made over time, as I look at two points in time during the deregulation process of the Swedish railway sector that started in 1988. But the important comparison here is the relation of power for the ideas and arguments that are used, as SAP have both been in government and opposition during the periods that I look at. I will look at governmental bills and records of parliament debates regarding the privatization process.

Since the purpose of the thesis is to describe how SAP might relate to neo-liberal idea (if indeed they do so) or ideas more closely related to their traditional ideology, the research question of this thesis would then be a descriptive one (Esaiasson, Gilljam, Oscarsson, & Wängnerud, 2007, p. 37). There is a choice between argumentation analysis, which only isolates arguments in a text, debate, etc. (Bergström & Boréus, 2005, p. 91) and the ideational analysis, which is different as the researcher would try to connect the arguments with certain ideologies (Bergström & Boréus, 2005, p. 156). In this thesis I will attempt to use the arguments to see the presence of three ideologies I have decided upon which thus makes the ideational analysis more relevant (Bergström & Boréus, 2005, p. 155). In order identify the arguments' character the Ideal Type analysis is useful. Ideal types do not exist in reality, but are extreme cases of the phenomena that are being investigated. It is not a question of classifying the arguments according to the extreme cases, but instead see which case the argument is closest to the criteria (Esaiasson, Gilljam, Oscarsson, & Wängnerud, 2007, pp. 158, 160). According to Marie Demker, ideal types are useful studying changes in one organization over time and she highlights that there does not need to be an empirical counterpart to the ideal types. It is the purpose of the research to see how close the reality is to the ideal types (Demker, 1993, pp. 71-72). Ideal type analysis are however not free from problems. There is a risk that the researcher might ascribe values to the material that are not connected to reality but instead on the view on the situation of the researcher. That would obviously lead to a problem with validity. Ideal types also risk being too general as it means that a party's ideology (as is the case of this thesis) has to be summarized in a couple of

categories (Bergström & Boréus, 2005, p. 172). With the four criteria that I have chosen for my analytical tool I believe I can offer a view of the three perspectives I use for this thesis that also makes it possible to make a fair comparison of them. To avoid validity problems with my analytical tool I have had to make sure the values I assign the criteria and perspectives are not colored by what I might have thought about them beforehand. Having kept that in mind through my work with the theory part of this thesis I believe that my ideal types are valid.

As for the operationalization of the theoretical definitions it is important what indicators I choose to identify them. Definitions in theory can be operationalized in many ways depending on how the researcher views them. Basically, the researcher has to have a strong argument for the choices made. Even so, another researcher might look at the operationalization and make the claim that it does not have enough validity for the research (Esaiasson, Gilljam, Oscarsson, & Wängnerud, 2007, pp. 59-60). I have provided a review of the theory that I will use in this thesis. The review has resulted in an analytical tool that I find is sufficient for my research. To identify the basic goals of the three perspectives I believe will help getting an overall view of the reasoning behind the perspectives and what proponents of them would want to achieve in the bigger picture. As for the second criteria, challenges to society and the railway sector, a concern that might be brought forward is that theories about the three perspectives that I use, neo-liberalism, third way and classical social democracy, really do not cover their views on challenges to the railway sector. I admit it might seem jeopardous to include it that way. But I find that it is possible by looking at the theory and the material that I analyze and translate the perspectives' view on the challenges to society to get a picture of SAP's view on the challenges to the railway sector, which I see as a more specific part of the society. I also find it to be an important criterion to include as the politicians' view of improvements that are needed can shine through there. The two other criteria I find have more applicability between theory and arguments about the railway sector, and the views that are found in the theories can be directly likened to those that are found in the material that I analyze. After examining the literature that I base my theory on, I believe that the face validity (Esaiasson, Gilljam, Oscarsson, & Wängnerud, 2007, p. 67) of my operationalizations is sufficient.

A satisfactory validity has however little purpose if it is not coupled with a good reliability. It does not matter how good the measuring tool is if the tool is used in an inattentive way. In other words, there has to be enough awareness when studying the material to avoid careless

mistakes (Esaiasson, Gilljam, Oscarsson, & Wängnerud, 2007, p. 70). An advantage with writing in pairs is that there is less of chance for mistakes as two researchers scour through the material, with one person finding the faults that the partner might have missed. When one person does the research, as is the case of this thesis, it puts more pressure on the researcher to avoid mistakes. I have answered this problem by reading through the material several times, making sure I do this with a critical view of the analyze I have done before. By doing this my application of the analytical tool on the material that I have analyzed should be satisfactory.

4.1 Material

I have chosen two points in time during the deregulation process of the Swedish railway sector to look closer at. The first of the occasions are from 2000 when SAP was in government. The point of interest here is the governmental bill they issued which aimed at transforming SJ into a limited company and facilitating increased competition on the railway sector. The second occasion is from 2009 with SAP now in opposition. The rightwing government issued a governmental bill aiming for further deregulation of the Swedish railway sector. Later the same year another governmental bill was issued proposing the transformation of the production division of the Swedish Rail Administration into a limited company. The corporatization in 2000 was concerning a traffic operator while the corporatization in 2009 concerned a production company. I want to clarify this as the possibilities for a market might be different. From these two years I will look at governmental bills and protocols from parliamentary debates in order to see the arguments that have been used. As this thesis focuses on SAP's argumentation the only governmental bill I will look closer at for arguments is the one that came under SAP government⁴, as that is the one containing SAP's arguments. Unfortunately, there are no records of any debate following that governmental bill. Whether that is because there was no need for a debate (since the right wing parties logically would be in favor of the content of it) I do not know.

As for the governmental bill that came during SAP's time in opposition⁵ I will not look closely at that, but instead focusing on what SAP representatives argued during the debates. I will also look at the debates following another governmental bill⁶ that was issued later the same year. The governmental bill that SAP issued in 2000 dealt with the transformation of SJ into a limited company as well as facilitating the competition between more actors on the

⁴ Proposition 1999/2000:78 Ändrad verksamhetsform för SJ m.m.

⁵ Proposition 2008/09:176 Konkurrens på spåret

⁶ Proposition 2009/10:10 Ändrad verksamhetsform för Banverkets enhet Banverket Produktion

railway sector. The two governmental bills issued by the rightwing government in 2009 dealt with further competition on the railway sector and the transformation of the production division of the Swedish Rail Administration into a limited company respectively. Therefore I find the choices I made concerning documents to be analyzed to be relevant and valid.

The aim of this thesis is to examine the views of SAP on privatization and deregulation. In order to make sure that I really measure what I set out to do it is important what kinds of sources I have for my analysis and I cannot just look at bills and debate contributions from whichever SAP party member. Any member of a party might have ideas that differ to different degrees from that of the party he or she belongs to. The debate contributions that I have included in my analysis were made by Lena Hallengren and Pia Nilsson. Both of them are authorities on the party's views on these issues and they are both members of the Parliamentary Committee on Transport and Communications. The object of analysis for the year of 2000 is the governmental bill made by the Social Democratic government and therefore it should not cause much concern for the validity of it in terms of this thesis. It does however, like governmental bills generally do, include comments by various stakeholders on the issue it covers. The researcher has to be aware of this and separate comments from the text containing the actual views of the government.

Thus the material I have looked for the time when SAP was in government is the governmental bill. For the time with SAP in opposition I have looked at protocols from parliamentary debates. The reason I have chosen to focus on governmental bills and parliamentary debates and excluding bills is that from what I have found, there has not been much debate otherwise on this issue. This means I have no bills made by the opposition that I have found to be relevant for this thesis.

5 Analysis

As said earlier I will look at the arguments from SAP regarding the privatization of the Swedish railway sector and compare how they look when they are in government and when they are in opposition. The Transport Policy Act of 1988 can be seen as the starting point to the deregulation process leading up to today. There was a vertical separation of SJ, splitting the infrastructure and the transportation business (SOU 2008:92, p. 41). In 2000, with SAP in government, they proposed to change SJ from a governmental owned company into a privately owned company. It is however important to note that there was not a question of actually selling SJ to a private actor. All stocks in the limited company SJ should be owned by the state (Prop. 1999/2000:78, pp. 1,7). SJ would thus be a private actor itself and not part of the governmental finances.

In 2009, while SAP was in opposition, the right wing coalition proposed a step-by-step process to completely deregulate the Swedish railway sector (Prop. 2008/09:176, p. 1). Another governmental bill from the same year proposed the transformation of the production division of the Swedish Rail Administration into a limited company (Prop. 2009/10:10, p. 1). The two governmental bills to me form a policy change comparable to that of the governmental bill of 2000. The two policy changes I have shortly described represent the two occasions that I will focus on. Relative to the other policy changes in the railway sector since 1988, they are significant changes and they also happened within a decade, with different political setups in Sweden.

5.1 SAP in government and the governmental bill of 2000

5.1.1 Ideas in the actual policy

I will now give a description of what was the best to organize the railway sector according to what was said in the policy. Furthermore, I will give a short analysis of how the best organization of the economy was seen according to what was said in the policy. In short, the governmental bill of 2000 meant that SJ was transformed from a state owned company. The company would be divided into several smaller limited companies with each one focusing on its core activities. The state would retain all the stocks in the companies. Furthermore, the possibility for other companies to operate in the railway sector should be increased in order to stimulate competition.

The goal with the corporatization is to create efficient and profitable railway companies that can compete on the same terms as other stakeholders on the market and can guarantee the customers a price worthy service in the railway sector while giving a reasonable return on the capital that the owner has provided. (Prop. 1999/2000:78, p. 7)

SJ in its current form was seen as unsuitable to be an efficient actor in the transport sector. The way SJ was organized was also seen as a hindrance to other companies on the market. It was deemed more efficient for the economy and the industry to smooth the progress of new competitors entering the market. More competitors would increase competition and drive down prices for the service provided. The market was thus seen as important to develop in this sector.

The recent problems in the railway sector point to the fact that there are reasons to develop passenger transportation on rail way gradually and under controlled circumstances. (Prop. 1999/2000:78, p. 10)

As for the ownership of SJ and the other limited companies resulting from the transformation of SJ, the state would still own all the stocks. Furthermore, the market would be freer but the state would still be able to monitor the development. Neo-liberalism and classical social democracy stand far away from each other on how the economy would be best organized as explained in the theory section above. Third way social democracy is positive to the influence of market forces, but stress the important part the state plays in keeping any detrimental effect of market forces in check. That view is distinct in this policy, where the move towards a more market oriented policy is coupled with tools to enable state monitoring of the sector.

5.1.2 Arguments in use

The basic goals according to the arguments that SAP uses seem to revolve around an efficient railway sector for the users of it.

The overall goal is to secure a socioeconomically efficient and a long-term solid transport service for the citizens and industry in the country. (Prop. 1999/2000:78, p. 9)

As stated in the quote, the goal of the reform is efficiency in the transport sector. Efficiency is also referred to quite often in the governmental bill. It is aimed at making sure there is a well

functioning railway sector in place for the industry to prosper and for customers to use. Equality (i.e. equal terms for competitors and access to the service) is also mentioned. Accessibility and regional development is desired but from where I can see it, it is focused on the users and operators of the service. For example it is the operators that should have equal access to rolling stock and station houses as well as equal opportunity on the market obviously (Prop. 1999/2000:78, pp. 7, 9, 14). As mentioned regional development is an aim that a well-developed railway network can help work towards, but I see that more as an economic goal that would benefit customers and actors.

The challenges that need to be addressed according to what SAP say here seem to be twofold. There is the issue of how SJ should be organized and also external challenges. SJ used to exist as a governmental owned company. According to the governmental bill in question, this arrangement was no longer economically sound (Prop. 1999/2000:78, p. 7). Internationalization is also something that needs adapting to:

In light of the development towards increasing competition in the national railway sector [...] as well as an increased internationalization of the railway sector can be expected the government thinks that an examination of the railway legislation should be conducted. (Prop. 1999/2000:78, p. 12)

One of the main challenges according to third way social democracy is the ongoing globalization and the need to adapt to it. Throughout the governmental bill it is also argued that the internationalization is something that is pressing this reform towards easier competition on the market as well as the corporatization of SJ.

As for the best organization of economy I explained earlier neo-liberal argumentation sees free, uninhibited market forces and an efficient economy as important virtues. The question is how SAP relates to these values. When talking about how to best organize SJ they claim:

It is important that [...] the conditions for an efficient competition on the market is increased and thus also the conditions for further savings in cost and consequently cut in prices for consumers. (Prop. 1999/2000:78, p. 7)

This would indicate inkling towards neo-liberal arguments. As I have shown above, efficiency is important with neo-liberals as well as the market of course. They use this as an argument for changing the structure of SJ into a privately owned company.

The state can exert insight as well as control of the company through the board of directors and annual meeting of shareholders. (Prop. 1999/2000:78, p. 8)

In third way social democracy, the market is seen in a positive light but it is important for the state to have a strong influence. The corporatization was partly made to stimulate competition and thus facilitate the market. But it is also repeated on several occasions in the governmental bill that the state will still retain control over SJ through ownership of the shares in the company. Thus there is two aims in the governmental bill that I see. First, there is the importance of a market where competition is facilitated for more private actors. Second, there is the importance the state should continue to play in the role of owner of SJ.

As for the consequences of the reform and thus the effects of privatization they argue:

The goal with the corporatization is to create efficient and profitable railway companies that can compete on the same terms as other stakeholders on the market and can guarantee the customers a price worthy service in the railway sector while giving a reasonable return on the capital that the owner has provided. (Prop. 1999/2000:78, p. 7)

I find it important to note here that they talk about railway companies (in plural form) and a return of capital to the owner. There is no talk about improving the chances of SJ (which the state and thus the public would own all the stocks in) alone but instead to give other companies the chance to compete on similar terms and make profit for themselves and their owners. One could say this was reform to make SJ more profitable and thus less of a burden for the state but to explicitly talk about other actors and their chance for profit lead me to identify it as just as much a market oriented reform. One of the basic values in neo-liberalism for example was the freedom of entrepreneurship (Dean, 2009, p. 51).

The corporatization furthermore means an adaptation to the ongoing internationalization of the transport market. (Prop. 1999/2000:78, p. 7)

There are similarities in neo-liberal and third way social democratic view of market forces which means they can be applied to the argumentation above just like we can see neo-liberal argumentation there. I will return to that later. Third way social democracy is as noted above partly concerned with adapting to a more globalized economy. The clearest sign of third way

social democracy argumentation (according to my explanation of it) is the reference to a need to adapt to a more internationalized market.

5.1.3 Use of neoliberal ideas

When comparing the basic goals that I presented above to the arguments of SAP I see clear signs of neo-liberal ideas.

The government thinks that an efficient competition between different operators [...] is a powerful way to create a system that in a more efficient and better way fulfills the customers' demands and needs. (Prop. 1999/2000:78, p. 10)

One important aim of the reform is said to be to benefit the customers (Prop. 1999/2000:78, p. 9). This is another example where market solutions are brought forward to make the situation for customers more beneficial. The aim of the reform is said to benefit the society as a whole and have favorable socioeconomic effects (Prop. 1999/2000:78, p. 9). But as we can see in my rundown of the arguments in use, whenever a beneficiary of the reform is explicitly identified it is either customers (not citizens of the society as a whole, only those who in any form use the railway) or the operators on the railway market and sometimes their owners and shareholders.

When it comes to the challenges of the society I want to linger a bit at the fact that SJ, as owned by the state, would be the only company that had the potential to directly benefit the public (via return of profit to the state). SJ previously had a priority to traffic that had been awarded a private operator through procurement after the contractual period had expired.

This situation clearly discourages new actors from making new investments in the railway sector. (Prop. 1999/2000:78, p. 11)

It seems to me that more than anything this reform has been done with the best of the private operators in mind. Remember for example that with classical social democracy there is the concern that market forces will drain the resources towards a few actors and leave the citizens with less resources and power (Ball & Dagger, 2009, p. 39), but this reform would turn SJ from a state owned enterprise into a limited company and expose it to increased competition.

As for the best organization of economy it is also mentioned that the state (as owner of all the stocks) can control SJ and that this reform (and further reforms) should be done gradually and

under controlled circumstances (Prop. 1999/2000:78, pp. 8, 10). This way of expression, making sure the state has some control over the market, is a bit farther from neo-liberalism, which aimed at as little state involvement as possible.

5.1.4 Summary

The view of market forces in the economy is somewhat similar in neo-liberal and third way social democracy argumentation. Therefore the above arguments can, depending on how we look at them, be applied to both neo-liberalism and third way social democracy, as it is not always easy to separate them. However, an overall theme of the basic goals of the arguments seems to be the issue of efficiency, which is why I would say they lean more towards neo-liberalism in that regard. One important distinction however is that how much power the state should have over the market, and it is clear that the proposal aims for the state to retain some control of it in this case. That is why I would put the argumentation regarding the best organization of economy in the category of third way social democracy. I would say that neo-liberal arguments are used. There is a lot of talk of benefiting private operators and their shareholders, but the way I see it that is more of a means to an end and how the railway can improve. Private actors are needed for an efficient and functioning railway sector that can answer to the increasing globalization. When comparing the basic goals of the perspectives and what could be found in the argumentation I would put that in the Neo-liberal category as stated above. The means to the goals however, i.e. how the economy should be organized, I would put (to some extent) more to the third way social democracy category. As for the effects of privatization, there are arguments both about the market and about the internationalization. Since third way social democracy to some degree favor market forces it might be tempting to argue that SAP's arguments regarding effects of privatization should be categorized as third way social democracy, which I think would be correct. However, I do not want to disregard the neo-liberal inklings that I find in the arguments either. Many of the arguments, as I have shown above talk about benefiting owners and shareholders of the private companies. Therefore, as to the effects of privatization, I would categorize the arguments as both third way social democracy and neo-liberalism. My review of classical social democratic ideals indicated favor of a more regulated market and the importance of equality. The reform, it is implied, is aimed at making sure there is a capable transportation system in place for citizens and the industry (Prop. 1999/2000:78, p. 9). That is the closet I have come when looking at the argumentation to something that could be placed in the

category of classical social democracy. I would instead put the argumentation as a whole, including that one, more towards third way social democracy and neo-liberalism.

Figure 3: Summary 2000

	<i>Neo-liberalism</i>	<i>Third Way Social Democracy</i>	<i>Classical Social Democracy</i>
<i>Basic goals</i>	X		
<i>Challenges to society and the railway sector</i>	X	X	
<i>Best organization of economy</i>		X	
<i>Effects of privatization</i>	X	X	

5.2 SAP in opposition and the governmental bills of 2009

5.2.1 Ideas in the actual policy

In short, the policy in the governmental bill was aimed at gradually removing SJ’s sole right on passenger services on commercial grounds on interregional traffic. It is a policy in line with the European Union’s work towards realization of the internal market in regards to the railway sector (Prop. 2008/09:176, pp. 10-11). Before the policy change there were still several private actors operating passenger railway services, but that was almost only traffic that had been procured by regional bodies of the state (SOU 2008:92, p. 13).

Competition ensures that travelers’ and society’s demands for an attractive, efficient and long term supply of traffic services of good quality is accommodated. It leads to an increased travel on railway to the benefit of economic growth, employment, regional development and environment. There are good reasons to go further than the directive demands and the government suggests that also the national market for personal transport on the railway is opened to competition. (Prop. 2008/09:176, p. 11)

It is stated that the best arrangement for the sector is one where the market is freer, without interventions from the state of any kind (Prop. 2008/09:176, p. 12). My rundown of the theories in use in this thesis shows that neo-liberalism differs from classical and third way social democracy in their view of the market, among other things. The best organization of

the economy according to neo-liberalism is a market as free as possible. Third way social democracy also favors market forces, but with far reaching state involvement which is not visible in this policy. I would furthermore not categorize this as a response to globalization (which is important for third way social democracy) as the policy, although it refers to EU directives and work towards internal market, admittedly goes further than the directive dictates.

As for the second governmental bill issued later the same year, the focus was on the corporatization of the production division of the Swedish Rail Administration into a limited company.

A clearer demarcation is needed between administration, politics and market. A focus on the core activities is urgent for the state. That means, among other things, that activities exposed to competition normally should not be conducted by the administration. With a focus on the core activities the conditions for more efficient administration is improved. (Prop. 2009/10:10, p. 7)

This was a continuation of the same view of the organization of the economy that was shown in the first of the two governmental bills from 2009 that are examined in this thesis. The efficiency of the economy is best facilitated partly if the scope of state activities is limited, but more so if the competition is increased. Competition (market forces) and efficiency is repeated as virtues that would benefit the society and the neo-liberal ideas that I summarized in the theory section are consistent here.

5.2.2 Arguments in use

The basic goals and challenges to society I see in the arguments from 2009 are more in line with classical social democracy. The governmental bills received criticism from SAP and its representatives. For example it was pointed out during a parliamentary debate regarding it that Sweden would be the second country in the world to completely deregulate the railways sector, the first country being New Zealand where the state has had to nationalize parts of it again (Prot. 2008/09:131, p. 58). As for the benefits to society, Lena Hallengren (S) argued:

The risk is obvious that the higher willingness to pay for people traveling on long-distance trains than commuters to work will change the service offered with negative socioeconomic consequences to follow. (Prot. 2008/09:131, p. 59)

Lena Hallengren argues that when we privatize the sector, companies will want to offer the kinds of services that are most favorable to them. This will in turn benefit customers who are willing to pay more, at the cost of regular customers. She also argues that people that do not live along the more profitable lines might find it difficult to even have a service to use. When the actions of the operators are determined by profit they will only want to operate on the most profitable lines and the others will have to be financed somehow by taxpayers' money (Prot. 2008/09:131, p. 59).

Regarding the market and the best organization of the economy third way social democracy stands somewhere between neo-liberalism and classical social democracy, but they share with the latter that the market must be regulated to some extent. That a free market can have detrimental effects on the railway sector, both citizens who use it and also the infrastructure itself, is repeated by SAP in the debate.

The Swedish rail administration has to develop criteria where the socioeconomic efficiency is observed. (Prot. 2008/09:131, p. 98)

Pia Nilsson (S) argues this in regard to how to decide which operators should operate certain lines. Efficiency is a value that I relate closely with neo-liberal argumentation. It would be far-fetched however to construe neo-liberal thinking of any sort from that. Again it is the state (or at least a division of the state) that should come up with an answer to how lines should be operated best, not the market. But it is important to notice that the state should develop rules for the market, thus leaving room for the market to exist. According to my review of the argumentation neo-liberal arguments are not used by SAP in the debate. Instead it is argued repeatedly that the state has to ensure good service and quality in the railway sector.

As to the effects of privatization there is a concern for what the deregulation might do for the Swedish railway infrastructure in general:

[...] they make money, take the profit that comes and invest it in different ways. But they will not invest it in unprofitable lines in different parts of Sweden. (Prot. 2008/09:131, p. 97)

There is a clear distinction by how the politicians in government and politicians from the opposition view the effects of the privatization. While minister for infrastructure Åsa Torstensson (C) argues that the privatization leads to a dynamic railway sector aimed at

facilitating the best kind of opportunities for the modern traveler of the 21st century (Prot. 2008/09:131, p. 96), Pia Nilsson (S) replies (and echoes earlier concerns) that there is a great risk that the deregulation process will deprive citizens of the opportunity to choose the trains as their means of transport (Prot. 2008/09:131, p. 98). The concern from SAP here seems to be partly for the costumers but also for the citizens in general. Small communities risk losing their access to a railway transport because there is not enough profit to gain from them. While no ideology is explicitly expressed by SAP here there is still the notion that as many citizens as possible should have access to the railway, regardless of how much an operator stands to earn from them and the arguments that they use against further deregulation can be placed in the category of classical social democracy.

Another detrimental effect they warn against is related to finance:

[...] the cost of the corporatization will be huge – over 1 billion. That is money that could be spent in a better way, for example on maintenance of the railway network. To this billion should be added a required rate of return, which will lead to bids for contracts getting higher and less money left for maintenance of the railway network. It is not acceptable. (Prot. 2009/10:32, p. 129)

This quote comes from the debate regarding the corporatization of the production division of the Swedish Rail Administration into a limited company. In the debate there is a division among the politicians about whether there is a possibility for a functioning market in this field. The government argues that the corporatization will lead to a more efficient market with more competition and advantages in terms of maintaining the railway network (Prop. 2009/10:10, p. 8). Pia Nilsson on the other hand argue that as the market will not function the way the government thinks, but instead will lead to higher costs and lower maintenance of the railway network. Thus there is a difference in the argumentation from what SAP said in 2000. In 2000 competition was seen in a more positive light and the internationalization needed adapting to. In 2009 the argumentation is instead focused on the detrimental effect of the railway sector a privatization can have. I interpret the arguments 2009, from both debates, as a concern for that money that could be spent on a railway network that could benefit the society would now risk being spent increasing the profits of corporations.

5.2.3 Social democratic ideas

Madame Speaker! We social democrats argue that maintenance should be run by the state. Otherwise there is a risk that security and quality suffers in the hunt for lower cost and higher profits for shareholders. (Prot. 2009/10:32, p. 130)

I would argue that in opposition, SAP argues very much in line with their traditional ideology of classical social democracy when looking at it in terms of basic goals. The alternative here is either a more deregulated market or more state involvement. A concern with classical social democracy is that too much wealth is concentrated on a smaller number of people, which in turn decreases the power of the society as a whole. The argumentation here is that Sweden should desist from reforms that increases the profit for a few at the cost of service and reliability for the larger group.

As for the challenges to society there are assumptions that this reform is very much due to the ideology of the right wing parties more than any concern for society's good. It would have a detrimental effect on the railway sector and risk excluding some citizens from using it (Prot. 2008/09:131, p. 98).

Of all the travels 30-50 percent is exchange travels from large lines onto smaller ones. Who will take responsibility for these travelers? When an operator is delayed on a larger line it is hardly believable that another operator will await the delayed train. Why should it do that? It is another company with another income statement. Who wants to incur damages for delays? (Prot. 2008/09:131, p. 59)

Again it is the travelers who will face the disadvantages for a more deregulated market. With classical social democracy there is the concern that market forces will drain the resources towards a few actors and leave the citizens with less resources and power (Ball & Dagger, 2009, p. 39) as was noted above.

When looking at the best organization of the economy there is also a lack of discussion regarding globalization and the need to adapt to that, which is important in third way social democracy argumentation. Whether that is because there is no more adaptation needed or something else I cannot tell. It is important to note that there is no wish to socialize the

railway sector in the SAP argumentation (Prot. 2008/09:131, p. 72). But classical social democracy does not automatically equal nationalization of assets.

The Swedish rail administration has to develop criteria where the socioeconomic efficiency is observed. (Prot. 2008/09:131, p. 98)

It is evident that it is the state that should control the scope of the market according to SAP. I will categorize SAP argumentation here somewhere around classical and third way social democracy. Both of those perspectives argue in favor of state intervention, only third way social democracy wishes to include market forces to a larger extent than classical social democracy do.

5.2.4 Summary

When in opposition, SAP viewed the market forces in a much less favorable light. Although no explicitly ideological arguments were used their arguments corresponded best with classical and third way social democracy. There was a lot of concern for citizens (not just consumers) and the quality of the infrastructure. Thus as for the basic goals I would put it in the category of classical social democracy. The arguments from SAP revolved around a concern for how an increased scope of the market would affect citizens. People in certain areas risked losing the access to the railway if they lived near a less profitable line, money that could be spent on maintenance of the railway to make it secure and reliable would according to SAP now more likely go towards increasing the profits of the private companies. Thus I find the best fit to SAP arguments to be the aim of solidarity in classical social democracy. The arguments can understandably also be applicable to their view of the challenges to society. The main concern I interpret is exclusion of some citizens. Companies would only be interested in catering to the customers who are more profitable. Some of the money that could be spent on maintenance of the railway would go towards the profits of the private companies in charge of the maintenance. Thus unprofitable lines would risk seeing less traffic or in worst case no traffic at all as private actors would not be interested in operating those lines (which could lead to tax payers having to subsidize it) and the quality and reliability of it would decrease to such degree that it would be impossible to operate it. As for the best organization of the economy I would categorize the arguments as both third way and social democracy. It was argued that rules developed by the state would be more beneficial to the society. There were however no question as to whether the market should

exist or not. The market is needed but to a more limited degree than was proposed in the governmental bills and it is the state that should dictate the rules. Third way social democracy highlighted the answer to globalization as one beneficial effect of privatization. I could not find any discussion about it in the arguments from the debates that I looked at. It is entirely possible that the politicians in this debate favored that particular effect as well but since the object of interest in this thesis is the content of the arguments I can only put the views of SAP on the effects of privatization in the category of classical social democracy.

Figure 4: Summary 2009

	<i>Neo-liberalism</i>	<i>Third Way Social Democracy</i>	<i>Classical Social Democracy</i>
<i>Basic goals</i>			X
<i>Challenges to society and the railway sector</i>			X
<i>Best organization of economy</i>		X	X
<i>Effects of privatization</i>			X

6 Conclusion

The question of this thesis was whether neo-liberal arguments could be identified in arguments from SAP and if the pervasiveness of them changed when they were in government and in opposition. It is important to repeat that this thesis is not aimed at measuring whether the policies themselves were more or less neo-liberal or not. My review of the arguments used by SAP on these two occasions shows that they were more in line with their traditional ideology when in opposition compared to how they argued when in government. Third way social democracy arguments always existed, but in government they were further from classical social democracy and closer to neo-liberalism. Obviously it was the other way around when they were in opposition. The results do not show any examples of clear neo-liberal arguments according to me. Since neo-liberalism and third way social democracy in some instances are similar, as my review of the theory shows, it is sometimes hard to distinguish them. Since references to internationalization were common in their position of government, I would overall categorize their argumentation more towards third way social democracy. However, efficiency arguments were also quite common and therefore I would not say that neo-liberal arguments were without influence. I would say it was third way social democracy with inkling towards neo-liberalism. My hypothesis was that they were freer to express their ideology in opposition and I think that was to some extent correct. The state was argued to be essential for a secure and qualitative railway sector. Whether the position of government in any way forced their hand with regards to their stance on privatization cannot be wholly established in this thesis but the way their arguments differed points to that being in government at least influenced them.

Neo-liberal, third way and classical social democracy arguments were used differently when they were in government compared to how they were used in opposition. For example, socioeconomic effects were mentioned on both occasions. When SAP was in government they argued that more free competition could have favorable socioeconomic effects. When in opposition they argued that a deregulated market could have detrimental socioeconomic effects.

Again, this thesis does not analyze the policies themselves, only the arguments in use. It could very well be concluded that the content of the policy of 2000 was entirely within the scope of third way and classical social democracy. But the arguments that SAP used were in fact to

some degree in line with neo-liberal ideas. I would say overall they leaned more towards third way social democracy, but one aim of this thesis was to see if any influence of neo-liberal ideas could be found in the arguments, and I conclude that such influences did exist. The view of the market, society, privatization, etc. was changed in 2009 when they argued for the disadvantages of privatization and increased market forces. Thus, the development of SAP argumentation could be likened to the model I presented in Figure 1. Whether ideas favoring privatization were particularly intense during the period I analyzed is not the topic for this thesis, but overall I would argue that it has been more or less an ongoing trend since it was first popularized, e.g. in Great Britain in the 1980s. The European Union's continued effort towards a deeper internal market, and Sweden's commitments to it as a member country, almost certainly plays a role here. That means that a party, such as SAP, when it comes into government might have to push through policies that are not entirely in line with their ideology. This is because ideas about what constitutes good policy put pressure and influence over them, while there are also real conventions that need to be adhered to. When they lose their place in government and find themselves in opposition they are free to argue more in line with their ideology. That does not necessarily mean that they do not see the realities that necessitate policy changes. But since they are without the kind of direct pressure and influence of ideas that come with the position of government, they can argue for policies that are closer to their ideology.

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Appendix: Translations

Translations of quotes used in the thesis.

Page 6, 32:

Regeringen anser även fortsatt att en effektiv konkurrens mellan olika trafikutövare och transportlösningar i grunden är ett verkningsfullt medel för att skapa ett transportsystem som effektivare och bättre uppfyller kundernas krav och behov. (Prop. 1999/2000:78, p. 10)

Page 6:

Vid en rödgrön valseger kommer vi att sätta stopp för alliansregeringens privatisering av järnvägarna. (Hallengren, Ohly, Svensson Smith, & Rudén, 2009)

Page 29, 31:

Målet med bolagiseringen är att skapa effektiva och lönsamma järnvägsföretag som kan konkurrera på samma villkor som övriga intressenter på marknaden och som kan garantera kunderna en bra och prisvärd service inom järnvägstransportområdet samtidigt som man ger en affärsmässig avkastning på det kapital som ägaren tillskjutit. (Prop. 1999/2000:78, p. 7)

Page 29:

Den senaste tidens problem inom järnvägstrafiken pekar dock på att det finns skäl att utveckla persontrafiken på järnväg successivt och under kontrollerade former. (Prop. 1999/2000:78, p. 10)

Page 29:

Det övergripande målet är att säkerställa en samhällsekonomiskt effektiv och långsiktigt hållbar transportförsörjning för medborgarna och näringslivet i hela landet. (Prop. 1999/2000:78, p. 9)

Page 30:

Mot bakgrund av utvecklingen mot ökande konkurrens i den nationella järnvägstrafiken samt pågående arbeten inom EU och att en ökad internationalisering av järnvägstrafiken kan förväntas anser regeringen att en översyn av järnvägslagstiftningen bör genomföras. (Prop. 1999/2000:78, p. 12)

Page 30:

Det är viktigt att SJ ges möjlighet att på bästa sätt tillgodose kundernas krav på service, kvalitet och tillgänglighet samtidigt som förutsättningarna för en effektiv konkurrens på marknaden förstärks och därmed också förutsättningarna för ytterligare kostnadsbesparingar och därigenom prissänkningar för konsumenterna. (Prop. 1999/2000:78, p. 7)

Page 31:

Staten kan utöva såväl insyn i som styrning av företaget genom styrelse och bolagsstämma. (Prop. 1999/2000:78, p. 8)

Page 31:

Bolagiseringen innebär vidare en anpassning till den fortgående internationaliseringen inom transportmarknaden. (Prop. 1999/2000:78, p. 7)

Page 32:

Denna situation motverkar självfallet att nya aktörer vågar göra satsningar inom järnvägssektorn. (Prop. 1999/2000:78, p. 11)

Page 34:

Konkurrens bidrar till att tillgodose resenärernas och samhällets krav på ett attraktivt, effektivt och långsiktigt hållbart trafikutbud av god kvalitet. Det bidrar till ett ökat resande på järnväg till förmån för tillväxt, sysselsättning, regional utveckling och miljö. Det finns således goda skäl att gå längre än vad direktivet kräver och regeringen föreslår att även den nationella marknaden för persontransport på järnväg öppnas för konkurrens. (Prop. 2008/09:176, p. 11)

Page 35:

Det behövs en tydligare gränsdragning mellan förvaltning, politik och marknad. För statens del är en koncentration på kärnuppgifterna ange-lägen. Det innebär bl.a. att konkurrensutsatt verksamhet i normalfallet inte bör bedrivas i myndighetsform. Med en koncentration till kärnupp-gifterna ökar också förutsättningarna för effektivare statliga myndigheter. (Prop. 2009/10:10, p. 7)

Page 35:

Risken är uppenbar att den högre betalningsviljan hos fjärrtågsresenärerna kommer att förändra trafikutbudet med negativa samhällsekonomiska konsekvenser som följd. (Prot. 2008/09:131, p. 59)

Page 36, 39:

Banverket måste ta fram kriterier där den samhällsekonomiska effektiviteten beaktas. (Prot. 2008/09:131, p. 98)

Page 36:

Det betyder att de tjänar pengar, tar den vinst som uppstår och investerar den på olika sätt. Men de investerar inte i olönsamma sträckor i andra delar av Sverige. (Prot. 2008/09:131, p. 97)

Page 37:

Däremot kommer, mina vänner, kostnaderna för själva bolagiseringen att bli omfattande – över 1 miljard. Det är pengar som kunde ha använts på ett bättre sätt, till exempel till underhåll av järnvägsnätet. Till denna miljard ska läggas krav på högre avkastning, vilket kommer att leda till att anbuds nivåerna höjs och mindre pengar blir kvar för underhåll av järnvägsnätet. Det är inte acceptabelt. (Prot. 2009/10:32, p. 129)

Page 38:

Fru talman! Vi socialdemokrater anser att drift och underhåll bör bedrivas i statlig regi. Risken är annars att säkerheten och kvaliteten blir lidande i jakten på lägre kostnader och högre vinster för aktieägare. (Prot. 2009/10:32, p. 130)

Page 38:

Av alla resor är 30–50 procent bytesresor från stora stråk till mindre. Vem tar ansvaret för dessa resenärer? När en operatör blir försenad på ett större stråk är det knappast troligt att en annan operatör på ett mindre stråk väntar in det försenade tåget. Varför ska den göra det? Det är ett annat bolag och har inte samma resultaträkning. Vem vill dra på sig förseningsersättningar? (Prot. 2008/09:131, p. 59)



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