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# Lund Papers in Economic History



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## Social Democracy and the Decline of Strikes

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Kerstin Enflo

# Social Democracy and the Decline of Strikes\*

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## Abstract

This paper tests if a strong labor movement leads to fewer industrial conflicts. The focus is on Sweden between the first general election in 1919 and the famous Saltsjöbaden Agreement in 1938, a formative period when the country transitioned from fierce labor conflicts to a state of industrial peace. Using panel data techniques to analyze more than 2,000 strikes in 103 Swedish towns, we find that a shift of municipal political majority towards the Social Democrats led to a significant decline in local strike activity, but only in towns where union presence was strong. The strike-reducing mechanism is related to corporatist explanations rather than increased social spending in municipal budgets.

Keywords: Power Resource Theory; industrial conflicts; strikes; labor markets; local politics

JEL Codes: N34; N44; H53; J51

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## 1 Introduction

Why are some societies characterized by internal conflicts and others by cooperation? This question has intrigued scholars for decades. While some scholars assumed that industrial conflicts would naturally “wither away” as industrialization would set societies on a common path towards the institutionalization of class conflict (Ross and Hartman, 1960), an influential alternative view was formulated in the so-called Power Resource Theory (PRT), pioneered by the works of Walter Korpi in the 1970s and 1980s (Korpi and Shalev, 1979; Korpi, 1983, 2006).<sup>1</sup> The PRT claims that social change is best explained by the relative access to power of capital and labor. In periods of powerful labor movements, the conflicts between capital and labor tend to shift from the labor market to politics, resulting in fewer instances of strikes.<sup>2</sup> According to the PRT, the political power of the working class is determined by the electoral strength and unity of the parties of the left, the strength of trade unions, and the wings of the labor movement. PRT explicitly stresses that the combination of “a party that clearly dominates on the left and commands a sizable proportion of the electorate” as well as strong unions can shift attention from the labor market to politics as an arena of conflict (Korpi and Shalev, 1979, p. 170).

The narrative of the Swedish case has been central to the early articulations of the PRT, and indeed to the whole literature of comparative welfare state research. Sweden is claimed to have made a transition from having “the highest measured ‘relative volume’ of industrial conflict in the western world” to a state of labor peace in the early twentieth century (Korpi and Shalev, 1979, p. 166). When discussing the pattern of Swedish industrial conflicts, Korpi observes an abrupt change in the mid-1930s, when it had become apparent that the Social Democrats would remain in power for a long time to come (Korpi, 1978, p. 117). Korpi argues that this shift meant that politics suddenly could offer solutions to labor-market-related problems, as well as the basic question of the distribution of resources in society. Thus, with a socialist government, workers could secure a greater part of national income through welfare reforms, redistributive taxes, and labor market policies. This involved a reduction in industrial conflicts as the conflict zone between capital and labor left the labor market and entered into the political arena. For employers, lockouts became less attractive after 1932 due to the risk of state interference. Korpi’s account has been challenged by Fulcher (1991), Thörnqvist (1994), and Hamark (2018), who point out that the aggregate strike frequency began to decline already in the 1920s, although the claim remains influential in textbooks.

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<sup>1</sup>See also (Hibbs, 1976; Shorter and Tilly, 1974). The notion of ‘power’ in the PRT refers to the ability to shape societies in a wide sense, its meaning is broader than the related concept of ‘labour market power’ (or ‘worker power’ as used by Stansbury and Summers (2020)) more commonly discussed in economics.

<sup>2</sup>In more recent years, the PRT has often been contrasted with approaches that pay more attention to the role of employers and cross-class alliances. See Swenson (2002).

This paper adds a political perspective to a growing cliometric literature on labor conflicts (Haupt and Cagigal, 2014; Huberman and Young, 2002; Geraghty and Wiseman, 2011; Enflo and Karlsson, 2019; Schmick, 2018; Molinder et al., 2021). More specifically, it revisits the empirical basis of the PRT by moving beyond national-level trends and summary statistics that were leveraged in previous studies. The focus is on the period from the first general elections in 1919 to the famous Saltsjöbaden Agreement (a historical compromise between the Swedish Trade Union Confederation and the Swedish Employers Association) in 1938. This period covers the first democratic elections with substantial variations in local political majorities and coincides with Sweden going from a country of fierce labor conflicts to a state of industrial peace.

By using a panel dataset covering 2,000 disputes in 103 towns, we aim to shed new light on the effect of left-wing domination on the decline in industrial conflicts as well as its driving mechanism. We distinguish between two main mechanisms explaining how a shift in the balance of power to the Social Democrats reduced the number of strikes: (i) satisfaction of worker demands through increased public spending (a mechanism typically associated with the PRT); and (ii) development of personal ties between politicians, businessmen and union leaders (more in line with corporatist theories).<sup>3</sup>

The focus on towns is warranted since the local arena was traditionally the main thrust for poor relief and social welfare. Following industrialization and urbanization, more diverse needs arose related to infrastructure and sanitation that involved a reform of local politics relating to public goods. From the 1910s to the 1930s, the municipal sector increased its share of GDP from about 5 to 8 percent (Wångmar, 2003). In the same period, unemployment policy became increasingly important in the local political arena (Svensson, 2004). Local politics was not only more significant in terms of welfare and labor market policies than is commonly recognized, it also functioned as a meeting place for labor market parties where employer and union representatives could interact, albeit in different roles (Östberg, 1996).

Our results show that Social Democratic power did indeed reduce industrial conflicts, but only in towns where unions had marked organizational strength. Union presence was in itself not enough to reduce local strike activity. In line with the arguments presented in PRT, our findings suggest that the Swedish labor movement, while strong enough to organize loud protests on the labor market, was not powerful enough to influence local governments or shift the conflict strategy into the political realm unless they had an accommodating Social Democratic partner in the local government.

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<sup>3</sup>In this paper, we mainly discuss mechanisms connecting left-wing power and the behavior of trade unions, highlighted by the PRT. The balance of power may also influence the conflict strategies of the capitalists if they become more willing to accept union demands in settings in which left-wing politicians control politics. A limitation to this study is that we are only able to observe a decrease in the strike level and not changes in the balance of power *per se*. Finding out whether a decrease in conflicts was due to employers or workers moderating their claims is unfortunately beyond the scope of this paper.

To assess whether trade unions became less inclined to strike because they saw other opportunities for improving public welfare to the benefit of their members, the mechanism that we primarily associate with the PRT, we investigate whether Social Democratic power also led to increased social spending. We find no evidence pointing in this direction. Instead, our results suggest a role for corporatism, in the sense that growing left-wing power increased the interaction between the representatives of labor and capital, in reducing labor market conflicts. When we present new evidence on the personal background of Social Democratic leaders at the local level, we find that they often had a background in trade unions; this correlation was most pronounced in towns with well-organized workers. Thus, local politics became an arena where parties in the labor market could meet-directly and indirectly- and serve to relieve the labor market and reduce the incidence of strikes.

Our results offer a fresh perspective on how Sweden achieved labor peace, in an era when other countries experienced continued or even staggering conflict between unions and employers (Huberman and Young, 2002; Moriguchi, 2003). The rest of this paper is organized in the following way. We begin by discussing the determinants of strikes in Section 2 and the role of tangible concessions versus corporatist channels in explaining the association between labor's strength and strike activity in Section 3. Some historical background is presented in Section 4. In Section 5 and 6, we introduce the data and empirical specification used in Section 7 to analyze the relationship between left political influence, union presence, and industrial conflicts. In Section 8, we expand on the corporatist mechanisms that could account for the muting influence of left-wing political power on strikes that we uncover in the regression analysis. Finally, Section 9 concludes the paper.

## 2 Unions, Politics, and Strikes

When studying unions, politics, and labor conflicts, it must be acknowledged that these phenomena may be jointly determined by a deeper cause. Ethnic heterogeneity is, for example, a recurrent theme in the literature on the American labor movement (Schmick, 2018), whereas Korpi (1978) and others have suggested that homogeneity contributed to the strength of the political and trade union wings of the Swedish labor movement. More recently, Karadja and Prawitz (2019) have convincingly shown that 19<sup>th</sup>-century emigration led to local labor shortages that substantially increased the demand for political change, reflected in union membership as well as voting patterns.

Deeper causes of political and trade union mobilization, such as such as changes local beliefs and behav-

ioral patterns stemming from demographic composition or emigration, are plausible joint determinants of political organizations, unions and strikes in the late 19<sup>th</sup>-century. However, this paper, and the *explananda* of the PRT, deals with the second part of the story, in other words how the power resources obtained by the labor movement subsequently led to a sharp decline in strikes. We argue that deeper explanations and persistent local patterns can essentially be held fixed when investigating the consequences of a shift in the access to power. Since we are concerned with how politics and union power jointly *reduced* strikes, any bias from potentially local, pro-labor cultures encouraging strikes, is likely to bias results in the opposite direction.

A related concern is reverse causality from strikes to union, or political, power. Although such an influence is plausible in many settings, it was hardly of any great importance in inter-war Sweden. As described by Enflo and Karlsson (2019), the vast majority of strikes were caused by disagreements about wages. Less than one percent of all strikes were related to the right to organize workers in unions and even fewer stated explicit political concerns, suggesting a weak casual link from strikes to politics or union presence.

Focusing more directly on strikes as the dependent variable, models of a hump-shaped relationship between union strength and strikes have been derived by economists as well as political scientists. Olson (1982), for example, maintains that redistribution through conflict is most common for unions of moderate strength. Strong unions', whose membership is encompassing, are less conflict prone as such a strategy more likely would harm members by reducing economic growth. Economists have been especially influenced by Olson's idea of an inverted U-shaped relation between union density and strikes when discussing the moderating effects of centralization in wage-bargaining models (Moene et al., 1992). However, union density might be high without much bargaining taking place at the national level, as was the case in early 20<sup>th</sup>-century Sweden.<sup>4</sup> In that case, economic theories have less to say about the relation. Instead, political scientists have suggested that the moderating mechanisms of union strength can be transmitted through the political arena.

Lindvall (2013) argues that when unions are weak, they do not possess the organizational capabilities necessary to organize effective political strikes. In the intermediate case, strikes are more frequent since it is harder for the unions and the government to reach a compromise. This is because the strength of the unions is not very secure and it is harder for both parties to commit as there is uncertainty over the future strength of the unions. When unions are strong, however, they can credibly threaten the government into submission. Politicians respond by adjusting their policies and there are fewer reasons to actually go through

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<sup>4</sup>Early Swedish unions were often decentralized organizations with features of direct democracy, and it is likely that union strategies differed between localities. Although some first steps towards centralization were taken around 1900, the process was not completed until after World War II (Lundh, 2010).

with a costly strike. The moderating mechanism appears regardless of the ideological composition of the government; any government will have incentives to seek some form of accommodation with the trade unions if the movement is very strong (Lindvall, 2013, p. 543).

PRT differs from previous arguments in stating that it is *the combination* of union and powers and leftist parties that make a difference. Although PRT does not spell out the precise form of the functional relation between the labor movement's power and potential outcomes in great detail, our interpretation is that amassing resources in both of these spheres is complementary and will change labor's ability to affect policies and reach their goals in a non-linear way. Korpi and Shalev (1979) argue, for example, that it was only after the Social Democratic Party came to power nationally that the unions shifted their conflict strategy away from costly strikes to the political arena. For this reason, the power resources in the hands of the labor movement must be considered individually, as well as in the way they interact to create a stronger position for the labor movement.

### 3 From Increased Political Power to Fewer Strikes

The mechanism governing the effect of a shift to left-wing power, present in the analysis of both Lindvall (2013) and Korpi and Shalev (1979), is that stronger unions can influence politicians in order to receive tangible policy concessions. If workers believe that such concessions can be achieved and be lasting, they are ready to withdraw the strike weapon. This is, indeed, the essence of the *political exchange*. One type of tangible concession, which is most relevant at the national level, could be imposing legal restrictions on employers' opportunities to launch conflicts. There is also a range of potential concessions related to workers' welfare, that may be more relevant at the local level. In this regard, the institutionalists Ross and Hartman are more explicit than most articulations of the PRT. After having established that "[t]hrough political action, labor is offered the opportunity to gain its objectives without sacrificing income," Ross and Hartman give the following concrete examples of what workers can hope for in the political exchange, namely "tax policy, public spending, economic planning, and social welfare legislation" (Ross and Hartman, 1960, p. 58). What is more explicit in PRT are two requirements for the political exchange to take place, namely that all involved parties believe that workers' political power has come to stay and that the various branches of the labor movement are united (Korpi and Shalev, 1979).

The political exchange mechanism is not the only possible link between left-wing power and labor conflicts. Corporatism and personal ties probably matters too. With growing left-wing power the interaction between



the representatives of labor and capital intensifies. Representatives of the labor movement enter contexts that had previously been exclusively bourgeois domains, such as town councils and related boards. As suggested by Rothstein (2005), increased interaction can lead to higher levels of trust, that, in turn, allows conflicts to be solved by negotiation. Left-wing governments might persuade unions to strike less often in order to create a perception of calm and to minimize the effect on third parties.<sup>5</sup> Successful persuasion is most likely when there are close personal connections between union leaders and left-wing politicians. Östberg (1996, p. 157), in fact, describes local politics as “a meeting place between the local employers and the politically organized workers.” Individual union members or officials may also hold seats in the chambers of power and be less eager to strike since union action affecting third parties will also reflect poorly on the sitting government.

As pointed out by Ross and Hartman (1960), leaders of labor parties generally need to attract middle-class voters, these voters are discouraged by strikes, and leaders of labor parties may influence the leaders and members of the trade unions. Hibbs (1976) argues that the incentives for labor party leaders to attract middle-class voters are particularly strong when electoral victory is close but not obvious. Many decisions at the local level in Sweden required qualified majorities. This may have pushed the local political branch of the labor movement towards reformism and away from labor militancy.

## 4 The Formative Years of the Early 20<sup>th</sup>-century

With the reform of universal suffrage in 1919, voting rights were extended to both men and women. As elsewhere, the extension of voting rights was followed by a period of political instability. During the 1920s, no government remained in power for a full term. As previously noted, Sweden experienced a relatively high number of industrial conflicts in the 1920s. Table 1 highlights this fact by showing the number of disputes per million inhabitants in some western countries, including Sweden, for four periods between 1919 and 1938. Although international comparisons of strike activity are difficult (Lyddon, 2007), the high rate of conflict in Sweden at the beginning of this period is remarkable. Between 1919 and 1924, there were as many as 60 strikes per million people in Sweden, the highest rate of any country in the comparison. In light of this, the decline over the following period is striking. Between 1935 and 1938, there were only 12 strikes per million people, a drop of 80 percent when compared to 1919–1924. Denmark is the only country with a more significant decline. In the Danish case, 1919 and 1920 appear as clear outliers, with many more strikes than in other years. While the number of industrial conflicts dropped significantly in Sweden, Denmark, and the

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<sup>5</sup>It may likewise be the case that right-wing governments increase the level of local conflict.

Netherlands, declining strike activity was not a general experience. In contrast, strike levels remained stable or increased over time in Norway, the US, Canada, and France.

**Table 1:** Number of Strikes per Million Inhabitants in Sweden Compared to Several Western Countries, 1919–1938

Period	Sweden	Nordic			Anglo-Saxon			Continental Europe			Total
		Denmark	Norway	Finland	UK	US	Canada	Netherlands	France	Germany	
1919–24	60	51	16	21	21	21	14	55	30	56	37
1925–29	33	8	31	17	9	8	8	30	25	12	19
1930–34	29	7	31	4	9	9	12	24	12	8	15
1935–38	12	5	62	8	18	23	16	14	127		34

*Note:* The table shows the number of industrial conflicts per one million inhabitants in Sweden and eight other western countries between 1919 and 1938.

*Source:* The source for the number of strikes is Shorter and Tilly (1974) and for population Bolt et al. (2017).

Both labor and capital became well organized in the decades around 1900. Local trade unions were formed, often under the auspices of the Social Democratic Party, from the 1880s onward. During the following years, many unions gained recognition and experienced growth spurts (Freeman, 1998). National federations based on crafts or, increasingly often, industry were formed. The labor movement suffered a major defeat during the general strike in 1909 (*Storstrejken*) but it recovered relatively soon. War-of-attrition type of conflicts were replaced by disputes where compromise settlements could be reached (Enflo and Karlsson, 2019).<sup>6</sup> In contrast to many other industrialized countries, membership expanded during the inter-war period. Although employers intensified their efforts to use replacement workers, their attempts to actually oust unions seems to have been weaker than elsewhere (Huberman and Young, 2002). By 1938, union membership as a share of the labor force stood at 51%, the highest level of all countries with comparable data (Donado et al., 2012; Bain and Price, 1980; Visser, 1989). Partly in response to workers’ collective action, employers formed organizations, which were more centralized than the trade unions. The employers’ organizations pushed for collective agreements on a national level, which contributed to a centralization of power within the trade unions as well. Still, throughout the inter-war period, the bulk of all conflicts in the Swedish labor market had a local nature. Large, nation-wide lockouts occurred but were few in relation to the total number of conflicts.<sup>7</sup>

The same was true for collective agreements, which remained mostly local throughout the period.

<sup>6</sup>For historical applications of war-of-attrition models, see Card and Olson (1995), Geraghty and Wiseman (2008), Huberman and Young (1999).

<sup>7</sup>Our dataset only includes the industrial conflicts that were defined as “strikes.” They were the vast majority of the industrial conflicts at that time. Enflo and Karlsson (2019) details the data set by dimensions such as the number of workers involved, the duration of strikes and their causes and outcomes. In terms of outcomes, Enflo and Karlsson (2019) and Molinder et al. (2021) have shown that the dimensions relating to number of workers and duration of conflicts are correlated with the number of strikes by locality measure, and results do usually not change when, for example, number of striking workers are analyzed instead

Along with a high level of union density, the Swedish labor movement was characterized by a fairly homogeneous composition. It was, for example, not divided according to religion or ethnicity. Strong competing trade unions with conservative values also did not exist. However, there were challenges from the left (Korpi, 1978; Horgby, 2012). Syndicalists were successful in forming unions for some years, particularly after the general strike in 1909. In 1919, the Social Democratic Party was split into reformist and radical parties, respectively, following the establishment of the Third International. The radicals (communists) continued to be active within the trade unions and could, in some periods, influence union policies. In the 1928 elections, the Right Party (*Högerpartiet*) successfully connected an historical antipathy to Russia and the growing strength of the communists within the labor movement (Schullerqvist, 1992). According to Åmark (1994, pp. 146–147), this election made it clear to the reformists that links to communists could reduce electoral support. In the years 1928 to the mid-1930s an internal battle between reformists and radicals in trade unions followed, in which the former eventually reinforced their position.<sup>8</sup>

#### 4.1 Municipal Politics and the Supply of Politicians

Due to a change in the Local Government Act in 1918, all towns were required to have a town council with representative democracy (*stadsfullmäktige*).<sup>9</sup> The personal orientation of local politics diminished with the coming of proportional elections in 1909 (Högberg, 1981). A couple of years thereafter, in 1911 the Social Democrats articulated their first political program for the local level, which set up the aim of “communal socialism” (*kommunsocialism*), including demands for the socialization of local firms, progressive taxation, and public housing (Ekström von Essen, 2003). However, local democracy was restricted by the Municipal Act (*Kommunallagen*) of 1862. This legislation, which was in effect throughout our period of investigation, stipulated majorities of two-thirds (qualified majority) for the “approval of grants for new purposes or needs”<sup>10</sup> and for acquisitions of land that was not already part of an already existing town plan (Norrlid, 1983). Thus, coalition building became a central feature of local politics. Billing et al. (1992) note that the Swedish Municipal Act “fettered” Social Democrats to “a relatively cautious reform work” in the 1920s.

The requirements of qualified majorities in local Swedish politics involved a necessity for support from at

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<sup>8</sup>The communists were strongest in the counties of Gävleborg, Kopparberg, Norrbotten, Värmland and Västernorrland, and in the towns of Stockholm and Gothenburg. Among the unions, the Paper Workers’ Union and the Forestry and Floating Workers’ Union were notable for a significant communist influence (see Horgby, 2012, p. 43). However, neither of these unions was particularly strong in towns.

<sup>9</sup>Rural communes with less than 1,500 inhabitants could voluntarily decide between direct and representative democracy. By 1938 the limit was set to 700 inhabitants and by 1952 all local governments in Sweden have adhered to the system of representative democracy. However, up to 1919, direct democracy remained the rule.

<sup>10</sup>In Swedish, “*beviljande av anslag till nya ändamål och behov.*”

least one of the other parties for the Social Democrats. Coalition building, therefore, became a cornerstone of the political landscape. By representing the strongest party in the leading coalition, a high political mandate was often rendered to the city council chair. The chairman exercised substantial influence over the political agenda in the council and had the casting vote in the event of an equal number of votes.<sup>11</sup> It is true that the town chair was not necessarily a member of a majority party and being chairman was, to some extent, an honorary task with a representative and moderating function (Åberg, 1998, p. 99). However, for any political party, gaining access to the chairman position through one affiliated member meant a substantial increase in political power. Thus, when the chairman in the town council shifted, it signified a shift in the power relations in the local community.<sup>12</sup>

Another aspect that may have shaped the nature of local politics was the supply of politicians. There was an established view that local politics primarily should be governed by skill and expertise rather than party affiliation. After 1919, the Social Democrats sometimes allowed liberal and right-wing politicians to remain in important positions even though the election outcome indicated otherwise (Svensson, 2004, pp. 82–85). These facts suggest a slight revision of the PRT: political power resources not only include electoral strength and unity, but also a supply of political leaders.<sup>13</sup>

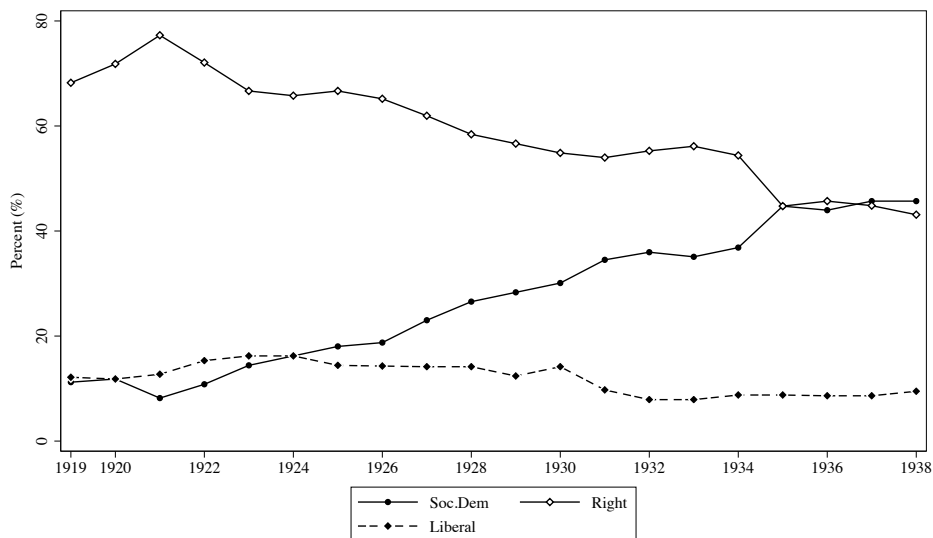
The presence of a Social Democratic chairman means that the party had access to political influence over the council agenda and could cast the breaking vote, reflecting the fact that the party also enjoyed strong local electoral support as well as possessing candidates who were experienced and enjoyed a certain degree of recognition across party lines. Fig. 1 uses this indicator to illustrate the shift of power over time in Swedish town councils. As seen in the figure, the introduction of universal suffrage did not lead to an immediate change in the balance of power. In 1919, only 15 percent of the positions of town council chair were held by a Social Democrat; the same number of towns were controlled by liberals. The dominant political force was still the Right Party, holding as many as 70 percent of all positions as council leader. This was subject to change over the following 19 years, however. During the 1920s and 1930s, the Social Democratic Party slowly gained power in a larger amount of towns, which came almost completely at the cost of the Right Party. While the share of towns with liberal leaders would remain flat, between 10 and 15 percent, by 1938 the Social Democrats had attained power in 46 percent of the towns, while the share of the Right Party was now down to 43 percent.

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<sup>11</sup>"[E]xcept in matters concerning the election or appointment of a position". *Kommunallagen*, cited in SOU 1990, p. 25.

<sup>12</sup>In terms of direct political influence, the chairman of the local finance department (*drätselkammaren*) was the most important local commission of trust, and very often the chairman was recruited from this position.

<sup>13</sup>We have not encountered this idea in the PRT literature, but note that the relative shortage of political skills in early labor movements has been mentioned before, for example by Lipset (1960).

**Figure 1:** Share of Town Council Chairs by Party, 1919–1938

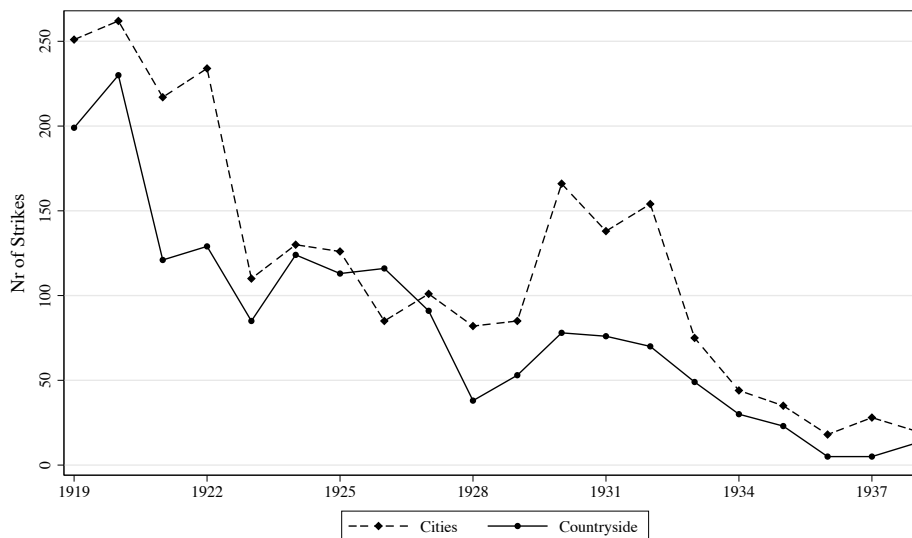
*Note:* Share of towns with Social Democratic, liberal, and Right Party municipal council chairs over the 1919–1938 period.  
*Source:* The Journal of the Association of Swedish Towns (*Svenska stadsförbundets tidskrift*).

## 5 Data

We have collected data on strikes from official sources (*Statistics Sweden: Arbetsstatistik. E, Arbetsinställelser i Sverige, 1919–1927*). For the years from 1919 to 1927, information on each conflict was published in the official reports. After 1927, the data is no longer readily available in published reports. Instead, we have collected information about the remaining strikes, those of 1927–1938, from the original questionnaires collected by the Ministry of Health and Welfare (*Socialstyrelsen*) that underlie the official statistics and stored at the National Archives (*Riksarkivet*) in Stockholm (*Förläkningsmannarexpeditionen, 1917–1976, series E5: 96–127*). This means that for the period 1927–1938, we only have information about the year and location of the strike.

Due to data limitations in terms of the political variables, we also had to restrict the dataset to strikes that took place in towns. Since the party system and representative democracy were less developed in rural parishes, there is a lack of data on political majorities outside of the defined towns.<sup>14</sup> Yet the towns holding administrative charters constitute a suitable laboratory to test the PRT on a local scale. The towns had a clear political administration and their boundaries and sizes are coherent enough to represent historical local

<sup>14</sup>The official statistics do not report electoral outcome data (share of seats and names and party affiliations of town council chairs) at the rural level until 1938.

**Figure 2:** Number of Strikes in Towns and in the Countryside, 1919–1938

*Note:* Number of strikes in Towns and in the countryside, 1919–1938.

*Source:* Enflo and Karlsson (2019).

labor markets. By 1919, 103 towns held administrative town charters.<sup>15</sup>

Fig. 2 plots the total number of strikes divided between towns and the countryside over the period from 1919 to 1938. Since about only 30 percent of the population lived in what was defined as a town, the figure highlights a disproportionate skew towards towns in strike activity. However, the secular decline in the number of strikes is clearly visible in the towns and the countryside alike.<sup>16</sup> The location of the towns is displayed in the map in Fig. 3 with the size of the points proportional to population in 1919.<sup>17</sup>

To measure the shift to left-wing political dominance in local governments, we collected data on the names and political affiliations of the municipal council chairs for every year in all 103 towns from the *Journal of the Association of Swedish Towns* (*Svenska stadsförbundets tidskrift*).

As a robustness check for our measure of political influence, we also collected data on the distribution of the number of seats held by political parties in the town councils. The data builds on the Official Statistics

<sup>15</sup>The number increased over time, but in order to create a balanced panel, we restrict attention to those that existed in 1919. The dataset of municipal council chairs in Swedish towns is similar to the data compiled on the ideology of heads of government for states in the Western World, but without many of the methodological issues concerning comparability between nations (Brambor and Lindvall, 2017).

<sup>16</sup>In 1919, there were 251 registered strikes in towns and the corresponding figure for rural places was 199. By 1938 the number had fallen to 20 and 13 respectively. While the pattern over time is broadly similar for the two groups, there are some deviations in certain episodes. During the international economic crises of the early 1930s, for example, there was an upsurge in strike activity in towns that was not mirrored on the countryside.

<sup>17</sup>The dataset of municipal council chairs in Swedish towns is similar to compiled data on the ideology of heads of government for states in the Western World, but without many of the methodological issues concerning comparability across nations (Brambor and Lindvall, 2017).

**Figure 3:** Map of Swedish Towns in 1919



*Note:* The map gives the locations of all towns holding town charters in 1919. The diameter of each point is proportional to the population.

(*SOS Kommunala val, 1919–1966*) and were collected by Nilsson (1992).<sup>18</sup> Panel a of Figure 4 illustrates the association between the share of council seats held by the political left and the proportion of council chairs in the hands of the Social Democratic party. As seen in the figure, when the left occupied 45 percent of the seats, the Social Democrats only held the council chair in about 10 percent of towns. However, with 55 percent of the seats, the party held the chair in more than 60 percent of all towns. The figure reinforces the idea that shifting to a Social Democratic chair was correlated with majority support for the left in the electorate, even though chairmanship could also be the consequence of effective coalition building across the political spectrum.

Panel b of Figure 4 shows the distribution of the left share of council seats in our dataset. It illustrates how the distribution of political power clustered just around the majority threshold in many town-years. The mode of the distribution is found just below the cut-off points when the left-wing was about to start influencing political power, at 40 percent of seats, but about 15 percent of the town-year pairs were between 50 to 55 percent. Thus, the period under study presents many instances when gaining access to a Social Democratic chairman could have involved an important political victory and an ability to shift the local political arena.<sup>19</sup>

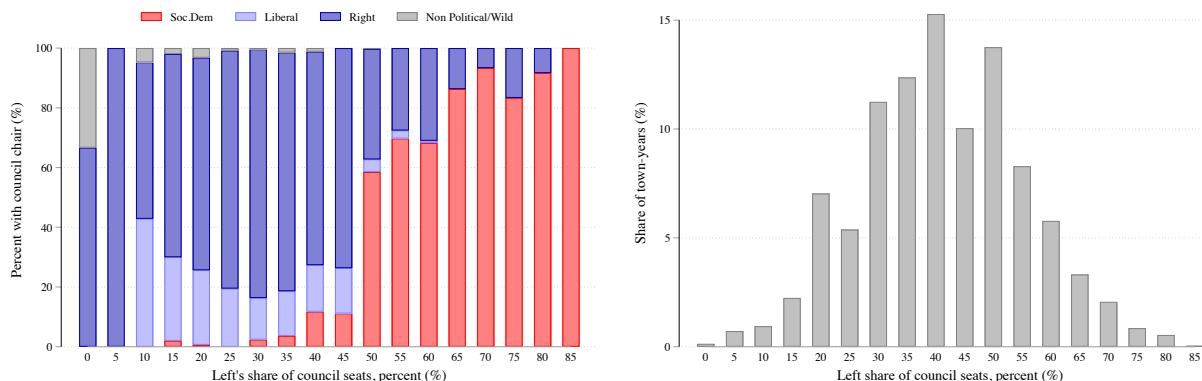
In addition to the data on the number of strikes and the political affiliations of the municipal chairmen, we collect information on the size of the population, industrial structure, and membership in trade unions. Data on the number of inhabitants as well as the industrial structure measured as the share of employment in agriculture, manufacturing, trade, commerce and services, respectively, come from Nilsson (1992) who provides data for five-year benchmarks. We interpolate population and industrial structure between those years. Information on union membership has been collected from The Social Movement Archive (Andrae and

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<sup>18</sup>There were several parties to the left of the Social Democratic party during the period. This owed to the many breakups of the communist party following the split from the Social Democratic party in 1917. Many of these held seats for only a short period or in a particular town. To measure the left's political influence in a parsimonious way, we have chosen to pool all seats held by the Social Democrats and these various left parties. However, the results are robust to using only the share of seats held by the Social Democrats as an alternative measure.

<sup>19</sup>It must, however, be noted that the PRT however deals with the interaction of political influence and union presence, and to credibly identify the effect, there has to be enough variation in our data along these two dimensions. That is, in addition to places in which unions were strong, and the town came to be ruled by the Social Democrats, there must also be towns where unions were powerful but never went into the hands of the left. A few specific cases can be mentioned. In the group where union density was high, and there was a shift in political power, we find places such as Södertälje, Ronneby, and Arvika. In the case of Södertälje, union membership as a share of the population was above 20 percent over the whole of the period, and the town came into the hands of the Social Democrats relatively early, in 1923, and remained to the left for the subsequent years. In the case of Arvika and Ronneby, union presence was at similar levels to Södertälje, but the political shift came a bit later, in 1931 and 1935 respectively. Perhaps the most interesting set of towns are those where unions were strong but no political shift away from the Right Party took place. With the fixed effects model we employ, these towns effectively work as the counterfactual to the towns with strong unions and a political move to the left. Here we find places such as Sundsvall, Nora, and Skellefteå. In all these cases, union presence approached 30 percent of the population but political power remained in the hands of the Right Party throughout the inter-war period. There are, not surprisingly, many cases in which union strength was low and where the Right Party remained in power. They include towns like Skara, Strängnäs, and Söderköping. In Simrishamn, on the other hand, union strength was low but the polity shifted to the Social Democrats during our period.



**Figure 4:** Municipal Council Chairs by Left Share of Council Seats and Distribution of Observations by Left Share of Council Seats

(a) Municipal Council Chairs by Left Share of Seats      (b) Distribution of Observations by Left Share of Seats

*Note:* Panel (a) shows the share of towns with a council chair belonging to each of the parties by the share of council seats held by the left. Panel (b) displays the distribution of observations by the left share of council seats.

Lundqvist, 1998). We divide union membership by population to arrive at our measure of union strength. For this reason, our variable is better described as a measure of local *union presence* rather than *union density*. While union density measures the degree of organization among the population that could possibly join a union, viz., those in the labor force, we are interested in measuring the footprint of unions in the local community in a broader sense. For the remainder of our paper, we will define this variable as union presence to avoid confusion with the more conventional measures of union strength.<sup>20</sup>

To test for the potential mechanism suggested in PRT, if tangible concessions account for the observed reduction in strikes, we follow the suggestion in Ross and Hartman (1960) and collect data on per capita public spending on primary schooling, health care, and poor relief for each town. These budget items pertain to areas of public spending with different potential interest coalitions. While primary schooling and health care were to the benefit of large segments of the population, poor relief was more directly targeted to the poor. In the case of health care and poor relief, they are also the types of spending items often invoked in the Power Resource literature (Kwon and Pontusson, 2010; Swank, 2002). The items we examine accounted for a large share of total spending by municipal governments. Over our period, per capita spending in these areas increased by an average of 39 percent.<sup>21</sup> Data availability forces us to restrict our attention to the

<sup>20</sup>We do not have access to data on the labor force by town for this period. Although we admit that our measure of union strength could be driven by differences in the local economic and social structures, we argue that union presence might indeed be the relevant measure in our case. We will always include town- and year-fixed effects to effectively control for any variation in the age structure as well as other social and economic factors that might vary from town to town. To influence our results, the economic and social structure, therefore, needs to have divergent trends depending on the town, which is unlikely. As a further robustness check, we will also control for sectoral shares in employment, which should pick up any sector-specific influences.

<sup>21</sup>The average increase across towns for primary schooling, healthcare and poor relief was 21, 79 and 34 percent respectively.

period from 1928 to 1938.<sup>22</sup>

To test the importance of alternative mechanism, relating to personal ties within the labor movement, we collected information on the background of the Social Democratic chairmen in our dataset. Two questions are of particular interest: i) What was their social background? ii) Were the unions able to influence the party to elect their representatives to the highest local office? If it was, in fact, the case that strong unions could see their peers selected, this could be a reason why strikes declined with a turnover to a Social Democratic majority. We have obtained the relevant information from the third volume of the book series *The Swedish Popular Movements (Svenska folkrörelser)*, which catalogs people involved in the political labor movement, as well the unions. We have collected information on all Social Democratic politicians who at any time between 1929 and 1935, the years that the relevant volume (published in 1936) had good coverage, held a position as municipal council chair. During that period, there were a total of 69 Social Democratic chairmen. We have managed to collect information on 40 of these, i.e., 58% from *The Swedish Popular Movements*.

## 6 Empirical Specification

In Section 2, we established the important determinants of strikes, specifically how the combined power resources of the left (political and union power) determined strike outcomes. To test the relevance of PRT we empirically estimate the following regression specification:

$$strike\ dens_{i,t} = \alpha + \beta\ union\ pres_{i,t} + \gamma\ chair_{i,t} + \delta\ (union\ pres * chair)_{i,t} + \mu_i + \lambda_t + \epsilon_{i,t}, \quad (1)$$

where  $strike\ dens_{i,t}$  is defined as the logarithm of  $(1 + strikes/population)$  in town  $i$  in year  $t$ , union presence is defined as  $(union\ membership/population)$ , and  $chair$  is a set of dummies taking on the value 1 depending on the political affiliation of the town council chair and 0 otherwise. We distinguish between the categories Social Democrat, Liberal, and non-political/wild. A town council chair belonging to the Right Party is the omitted baseline category. We also include a dummy indicating whether the chair was vacant, which is true in three town-year pairs. In terms of the explanatory variables, we are interested in the coefficients  $\beta$ ,  $\gamma$  and  $\delta$ .  $\beta$  measures the influence of union presence,  $\gamma$  whether the town council chair was a Social Democrat, and  $\delta$  the interaction of these two effects.

To ensure that our results are not driven by the way we have specified political influence, we construct

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<sup>22</sup>Because some towns for some years also report other temporary expenditures under one of these three headings, we have to removed some town-year pairs from the data.

alternative measures of the power of the left: namely the share of seats held by left-wing parties in the town council. The regression with the alternative measure takes the following form:

$$\text{strike dens.}_{i,t} = \alpha + \beta \text{union pres.}_{i,t} + \gamma \text{lshare}_{i,t} + \delta (\text{union pres.} * \text{lshare})_{i,t} + \mu_i + \lambda_t + \epsilon_{i,t}, \quad (2)$$

where *lshare* is defined as (*left seats/total seats*). In contrast to the specification in Equation (1), the left-share variable is a continuous measure of the share of seats, which ranges from a minimum of 0 to a maximum of 85 and has a mean of 43. For this reason, the variable indicates the power held by the left in a less discontinuous way than the council chair variable, which only takes the value of 0 or 1. In this way, the two variables are complementary. While the council chair indicator measures successful coalition building by the Social Democrats, the left-share variable provides information on the political leverage of the left as a whole in the town.

Naturally, the political leverage of the left is subject to a potential discontinuity as it reaches a majority in the electorate. Therefore, it is not obvious that the variable should be modeled as continuous. To allow for a potential discontinuity in the effect, we also model the power of the left in terms of dummy variables that capture whether the left occupies the majority of the seats (either more than 50 percent or more than the 66 percent of seats, which was required for a qualified majority, in the council). We will present evidence of these alternative cut-offs as well.

As discussed previously, there are potential unobserved variables that could jointly determine the power of the left and strike behavior in any specific location (i.e., historical power relations, local culture, industrial structure, etc.).<sup>23</sup> To better identify the effect of a changing power relation on strike propensity, the town fixed effects  $\mu_i$  ensure that variation in the model is restricted to towns that actually experience a change in power, while holding all other non-varying town-specific effects constant. A full set of time dummies,  $\lambda_t$ , control for all common time trends that were present each year in all towns. The specification in Equation 1, using a dummy indicating the political affiliation of the council chair, is analogous to a difference-in-difference specification, as outlined by Angrist and Pischke (2008). Thus, we are estimating the effect of a switch to being within the “treatment group” (towns that change to a Social Democratic majority within the period) compared to the “control group” (towns that remain with other majorities).

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<sup>23</sup>For analyses of the importance of industrial structure, business cycle, regional characteristics, and other variables on Swedish labor conflicts, see Mikkelsen (1992).

## 7 Results

### 7.1 Main Specification

Table 2 gives the regression results of the main regression models explained in equations 1 and 2. The estimates from the main model specification are reported in column 1 of the table. First consider the estimated coefficient of “Union presence” in the upper panel. Its interpretation suggests that when the municipal council chair belongs to the Right Party, an increase in union presence from 0 to 100 percent is associated with an increase in the strike rate of 33 percent per year. This is a sizable effect, since, over the period from 1919 to 1938, the median town experienced an increase in union strength of 10 percentage points, which would imply an increase in the strike rate by 3.3 percent per year.

The results under the heading “Chairs” give the estimated impact of a shift in power from a Right Party chairman to one who is either a Social Democrat, a liberal, or non-political/wild, respectively. As a consequence of the interaction with union presence, the coefficients for the political affiliation of council chairs should be interpreted as the estimated effect in the theoretical case in which the union presence is zero. As the results in column 1 show, power shifts did not have any such independent effects. For example, the estimated impact of a change from the Right Party to the Social Democrats is not statistically significantly different from zero at the 10 percent level.

Under the heading of “Interactions,” the main test of the PRT is shown. As seen in the point estimate, the interaction of union-presence with a move from a Right Party council chair to a Social Democratic one is significantly different from zero at the 5 percent level and the effect is large and negative, underscoring the importance of considering how a shift in local political power varied in cases with high and low levels of union presence. Importantly, we only observe an effect in terms of a Social Democratic town chair’s coming to power. In the case of a liberal, there is no discernible effect.

This difference between the parties is not simply driven by the larger standard errors, as the estimated effect of a liberal chair is positive, not negative, and very small. Since our main result refers to an interaction effect, which is difficult to gauge from a regression table, we provide a plot of the effect of a shift to a Social Democrat at different levels of union presence in Fig. 5. The figure highlights the following: at very low levels of union presence, local political power does not influence the propensity to strike. As we move to contexts in which union presence exceeds 20 percent, shifting to a Social Democrat mitigates some of the increase in strike activity associated with union power. For example, in a case in which union presence is 30 percent, a turnover would lead to a decrease in strike activity by 3.7 percent per year.

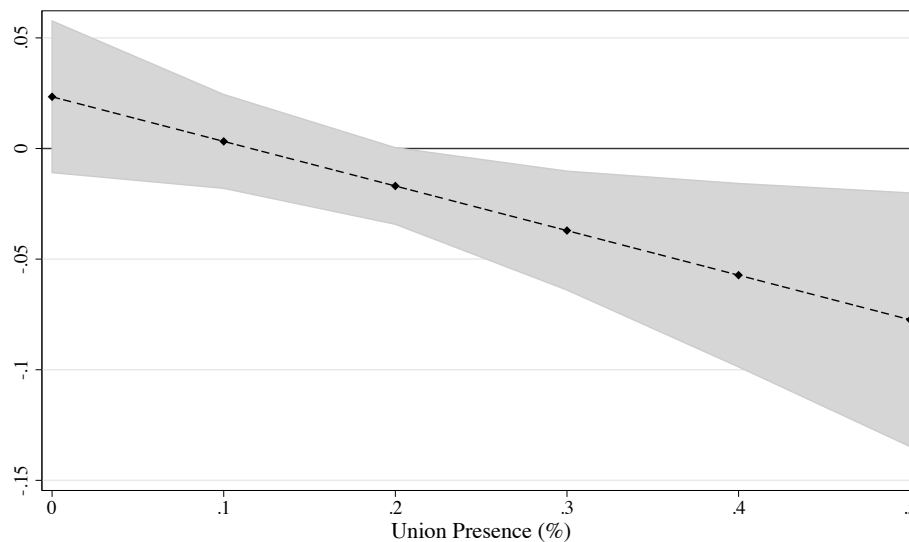
**Table 2:** Regression Results

<i>Dependent variable</i>	<i>Independent variable: Party affiliation of council chair</i>			
	(1)	(2)	(3)	(4)
	log(1+ strikes/pop)	log(1+ strikes)	Strikes	log(1+ strikes/pop)
	<i>Main</i>	<i>Absolute</i>	<i>Negative binominal</i>	<i>Sector controls</i>
Union presence	0.331*** (0.079)	1.356*** (0.333)	4.848*** (1.024)	0.321*** (0.082)
<b>Chairs:</b>				
Soc.Dem	0.023 (0.017)	0.066 (0.073)	-0.010 (0.258)	0.023 (0.018)
Liberal	-0.009 (0.018)	-0.069 (0.076)	-0.020 (0.331)	-0.009 (0.018)
Non-Political/Wild	-0.049 (0.039)	-0.158 (0.162)	-0.571 (0.994)	-0.038 (0.040)
<b>Interactions:</b>				
Union presence*Soc.Dem	-0.202** (0.086)	-0.899** (0.359)	-0.775 (1.349)	-0.188** (0.087)
Union presence*Liberal	0.009 (0.141)	0.533 (0.587)	0.073 (2.310)	0.013 (0.142)
Union presence*Non-Political/Wild	0.018 (0.356)	-0.663 (1.481)	2.365 (5.818)	0.001 (0.357)
<b>Control:</b>				
Log(population)		0.125 (0.129)	2.029*** (0.487)	
Cross-section FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Sector controls	No	No	No	Yes
Observations	2038	2038	2038	2010
Nr of towns	103	103	103	102

<i>Dependent variable</i>	<i>Independent variable: Left share of council seats</i>			
	(1)	(2)	(3)	(4)
	log(1+ strikes/pop)	log(1+ strikes)	Strikes	log(1+ strikes/pop)
	<i>Main</i>	<i>Absolute</i>	<i>Negative binominal</i>	<i>Sector controls</i>
Union presence	0.864*** (0.146)	4.881*** (0.602)	14.830*** (2.335)	0.854*** (0.149)
Left share	0.188*** (0.058)	1.338*** (0.240)	3.284*** (0.835)	0.183*** (0.059)
<b>Interaction:</b>				
Union presence*Left share	-1.253*** (0.259)	-8.147*** (1.068)	-21.365*** (4.569)	-1.237*** (0.263)
<b>Control:</b>				
Log(population)		0.193 (0.125)	1.899*** (0.491)	
Cross-section FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Sector controls	No	No	No	Yes
Observations	2042	2042	2042	2014
Nr of towns	103	103	103	102

*Note:* The "Vacant" category is omitted from the table. Standard errors in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

**Figure 5:** Marginal Effect of a Social Democratic Chair at Different Levels of Union Presence

*Note:* Marginal effect of shifting from a Right Party municipal chairman to a Social Democratic one as predicted using the regression results presented in Table 2.

The lower panel in Table 2 presents the results of the main specification for the alternative model that measures the left's share of council seats in a continuous fashion, given in column 1 of the lower panel of Table 2, we find that all coefficients remain with similar signs as in the upper panel. In this specification, we additionally find that union presence, the share of seats held by the left and the interaction between union presence and the left's share are all estimated with statistical significance at the one-percent level. Since the left share political indicator is continuous rather than binary, it is difficult to directly compare the point estimates of the lower panel with those of the upper panel.<sup>24</sup> However, the results suggest that in the theoretical case that the left's share is zero percent, an increase in union presence from 0 to 100 percent would be associated with an increase in the strike rate of 86 percent per year. The median town experienced a 10 percentage-point increase in union presence, which in this case would imply an increase in the strike rate of 8.6 percent per year. Correspondingly, an increase in the left's share from 40 to 60 percent in a case in which union density is 30 percent, would be associated with a decrease in the strike rate of 3.7 percent per year.

<sup>24</sup>We will model the left share as a binary cutoff in Table 3

## 7.2 Alternative Specifications, Controls, and Robustness Checks

Columns 2-4 of Table 2 report several robustness checks to the main results in column 1. In column 2, we start by accounting for the potential worry that our independent variable, which is expressed as the ratio between strikes and town population, might put greater weight on strikes in smaller towns. Since going from zero to one strike in a year will mean a larger percentage change in a town with fewer inhabitants, one concern is that influential outlier observations from small towns could be driving the result. This is why we consider how our results might be affected by estimating an alternative model using the log of the number of strikes as a dependent variable and controlling for the size of the population, by including it as an independent variable instead. Reassuringly, all the estimated effects retain the same signs and even become larger in magnitude.<sup>25</sup> The results in column 3 of Table 2 correct potential problems that may arise from using a linear model to estimate the determinants of strike activity when our dependent variable contains many zeros. To take this into consideration, we additionally consider an alternative model using negative binomial regression with the number of strikes as the dependent variable, while once again controlling for the size of the population by including it as an independent variable. The results do not change the qualitative interpretation of our results.

In column 4 of Table 2 we report estimates from our baseline model, adding controls for sectoral shares of employment in each town-year. The controls are intended to address the worry that the result in our baseline specification is driven by changes in the local industrial structure. Since we only use variation within towns over time, all structural changes common to all towns, as well as differences between them, are picked up by the fixed effects. However, there might still be trends in structural change for some towns towards industries where union presence is higher or where workers are less or more likely to strike. To take into account this possibility, we control for the industrial structure by entering the shares of employment in agriculture, manufacturing, trade and commerce, and services, as independent variables. None of the variables measuring sectoral shares are significant at the 10 percent level. There are, likewise, only minor changes to the point estimates for union presence and the interaction between union membership and a Social Democratic municipal council chair.

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<sup>25</sup>In Table A1 of Appendix A, we provide an additional set of robustness checks relating to regional factors and the size of towns. In column 2 of Table A1, we have added a regression controlling for region-year fixed effects. We think this is a good way to test the robustness since it controls for all factors that might be shared between towns in a particular region, such as local culture, economic trends, etc. The table shows that our results are robust to this control. The coefficient for the interaction between union presence and a Social Democratic chair changes very little. Interestingly the independent effect of union presence declines more, from 0.331 to 0.242 (but is still statistically significant). This suggests that there could be factors at the region level that drive both strikes and union presence. We show that the results are robust to the inclusion of county-by-year fixed effects, controlling for shocks and trends that affects all towns in a region, as well as to the exclusion of the five largest and five smallest towns. Figure A1 also provides a sensitivity analysis showing that the results are not driven by the inclusion of any specific town or year.

**Table 3:** Additional Results: Dummy Indicator of Left's Share of Municipal Council Seats

<i>Dependent variable</i>	<i>Independent variable: Left share of council seats</i>		
	(1)	(2)	(3)
	log(1+ strikes/pop)	log(1+ strikes/pop)	log(1+ strikes/pop)
	<i>Main</i>	<i>50 % Left share</i>	<i>66 % Left share</i>
Union Membership	0.864*** (0.146)	0.318*** (0.079)	0.317*** (0.076)
Left share	0.188*** (0.058)		
Union presence*Left share	-1.253*** (0.259)		
50 % Left share		0.016 (0.020)	
Union presence*50 % Left share		-0.157 (0.097)	
66 % Left share			0.104** (0.053)
Union presence*66 % Left share			-0.396** (0.185)
Cross-section FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Observations	2042	2042	2042
Nr of cities	103	103	103

*Note:* This table presents additional results for the effect of the left's share of council seats on strikes. The first column presents the baseline results as reported for the main regression results in Table 2. The second column presents the effect of using an indicator taking the value of 1 if the left share is 50 % and 0 otherwise. The third column reports the impact of using an indicator for a 66 % left share. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

Finally, Table 3 considers the potential non-linear effects of the share of council seat held by the left by directly modelling situations when the share of municipal council seats held by the left shifts permanently above the majority threshold. Since majority rule is complicated to measure in situations when party power is governed by the ability to form influential multi-party coalitions, we believe that any mechanical use of a pre-determined percentage cut-off will measure factual power less precisely than the council chair indicator. The results in Table 3 confirm our expectations. The results are qualitatively similar, but measured with less precision. The dummy measuring a switch to a 50 percent left majority indicates a positive but not statistically significant impact on strikes. The main test of the theory, the interaction between 50 percent left majority and union presence, suggests the expected dampening effect on strike activity predicted from PRT. Modeling the qualified majority of 66 percent needed to make many local-level decisions results in larger and statistically significant coefficients. The effects are similar in magnitude to the impact of a shift in municipal council chair, but since the precision of the estimates suffer with the dummy cutoff, we are strengthened in our belief that the council chair dummy is able to pick up effects relating to factual political power, which is harder to measure precisely with a mechanical dummy cutoff.



## 8 Mechanisms

### 8.1 Tangible Concessions

So far, we have shown that in towns with high union presence, a shift in political power from the right to the left, mitigated the increase in strike intensity associated with strong unions. This result is in line with Korpi and Shalev (1979), who argue that the labor movement gains new power resources and shifts its conflict strategy into the political arena in response to such a shift; that is to say, a political exchange occurs. For such an exchange to take place, some tangible concession in the form of social spending is likely.

Following PRT, we would expect a takeover from a Right Party council chair by a Social Democrat to be associated with an increase in public spending. We do not want to impose a too rigid structure on the data but rather let it speak for itself. To this end, we estimate a model with time- and town-fixed-effects and test for any party effects by adding three lags and three leads of an indicator variable taking the value of 0 if the municipal council chair is from the Right Party or the Liberal Party and 1 if there is a shift to a Social Democratic chair in a particular year.

The regression is an event-study regression with leads and lags that allow us to estimate the effect on public spending of switching to majority power, as measured by gaining control of the post of municipal chair. The regression is formulated as follows:

$$spending_{i,t} = \alpha + \sum_{q=k-3}^{k-1} \beta_q Soc\ Dem\ chair_{i,t} + \sum_{m=k+1}^{k+3} \beta_m Soc\ Dem\ chair_{i,t} + \mu_i + \lambda_t + \epsilon_{i,t}. \quad (3)$$

where *spending* is the log of per capita public spending,  $q$  is the lead and  $m$  is the lag of the time of treatment,  $k$ . The treatment, in this case, is switching to a Social Democratic council chair, modeled by the variable *SocDemchair* that takes the value 1 if the Chair is from the Social Democratic party and 0 otherwise.

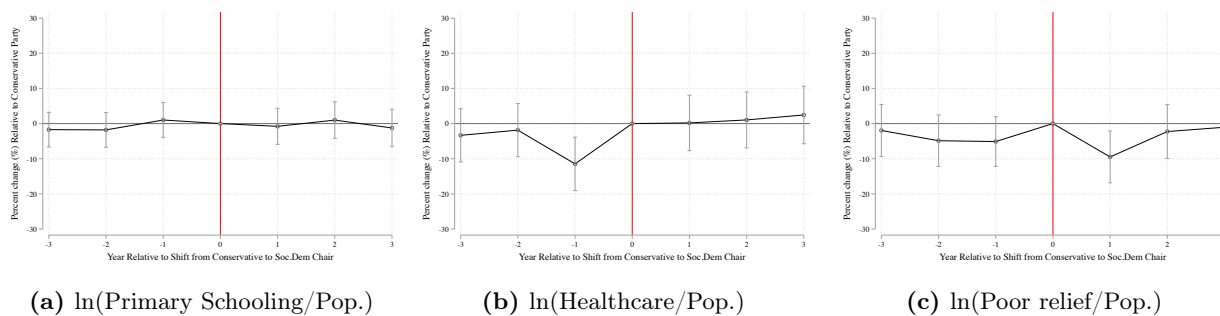
When formulating the regression in this way, we effectively look only at those places where there was actually a shift in power during the period. We only code the towns as treated if the position of municipal council chair remained in the hands of the Social Democratic for the remaining period, so observations do not appear as before and after treatment in the same specification. There were 59 such permanent political shifts to the Social Democratic party over this period. Observing these shifts for 95 towns over the period from 1928 to 1938 results in a panel with 483 town-year observations. We focus on the shift in the council

chair since the discontinuous nature of the variable makes it suitable for an event study of this type. Results from the same model as outlined in equation 3, but using the 50 percent majority of the left-share variable dummy as an alternative indicator, are presented in Table A2 in appendix A. The results are very similar when using these alternative measures of political power.

The resulting estimates for the effect of a shift in the municipal council chair are shown in Fig. 6. The  $x$ -axis gives the number of years relative to the time when the shift from the Right Party or the Liberal Party to the Social Democrats took place, and the  $y$ -axis measures the estimated percentage increase in per capita spending.

Discussing first the result for primary schooling, no party effects are apparent. After a power shift, spending on this item is unchanged. The estimate is also precise, as highlighted by the 95% confidence interval. The same appears to be true for spending on healthcare as well as poor relief: there is no change in spending with political turnover. The confidence intervals are likewise small, albeit somewhat larger than in the case of primary schooling. The three graphs also expose the lack of any systematic divergence in spending trends before the shift in political power.

**Figure 6:** Effect on Per Capita Public Spending on Primary Schooling, Healthcare, and Poor Relief of a Shift of the Municipal Council Chair from the Right Party to the Social Democrats.



*Note:* The graphs show the effect on public spending on schooling, healthcare, and poor relief of a shift of the municipal council chair from the Right Party to the Social Democrats. Towns are only coded as treated if the position of municipal council chair never returns to the Right Party. The effect is estimated using a model with time and cross-sectional fixed effects and three lags and leads of the outcome variable. The model is estimated on the set of towns between 1928 and 1938 that have complete spending data

These results suggest, contrasting to the expectation from the Power Resource Theory, that there was no change in public spending associated with a shift in power to the left-wing. Our findings are aligned with those of Östberg (1996, pp. 117–118).<sup>26</sup> Our findings are also consistent with narratives of Swedish local

<sup>26</sup> Östberg compares changes in taxation during the period 1915–1938 in towns where the Social Democrats seized power early (before 1928) and towns where bourgeoisie parties remained in power (at least until 1938). To make the groups more comparable, Östberg excludes Stockholm, Gothenburg, and Malmoe, but he notes that the Social Democrats typically grew stronger in large and medium-sized towns that had experienced rapid industrialization and where huge investments in infrastructure had already been made.

politics.<sup>27</sup>

## 8.2 Corporatism

The alternative mechanism linking politics to labor conflicts is the fact that left-wing parties need peace in the labor market to gain support from broader segments of society.

To check whether this characterization makes sense, we have gone through the *Journal of the Association of Swedish Towns* and classified the occupational titles of the chairs for selected years (1919, 1929, 1935, and 1938). This exercise reveals that over 30 percent of the chairs were business proprietors or higher managers in the 1920s. As Social Democrats take over chairs in many towns in the following decade, the share of chairs with direct connections to employers decreases somewhat but remains over 20 percent. Thus, throughout our period of investigation, there is a clear representation of employer interests at the top positions in local politics.<sup>29</sup> Meanwhile, there was a growing representation of workers' interests, reflected by the appearance of blue-collar occupational titles of some Social Democratic chairs. Such occupational titles were never held by liberal or right-wing chairs which suggests that the class background and social ties among the left often differed from those to the right.

Previous research suggests a great deal of Social Democratic overlapping, (*korssittning*) between commissions of trust in unions and local politics<sup>30</sup>, but this phenomenon is hard to capture by simply looking at the occupational titles of chairs. Some Social Democrat chairmen appeared with the titles of working-class occupations, but it was more common that they simply appeared as politicians (*riksdagsman* or *landstingsman*), editors (*redaktör*), or trustees (*sysloman*). Even in the case when they held working-class occupational titles, it is not possible to tell if they had a labor union background.

For each of the 40 politicians that we were able to locate in the third volume of *The Swedish Popular Movements*, we collected information on their professional background and whether they were members of a union. Persons who started their career working in a manual occupation were coded as working class, whereas persons that entered politics through academia, or the like, were coded as non-working class.

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<sup>27</sup>Billing, Olsson and Stigendal 1992, for example, observe that although Social Democrats took power in Malmö in 1919, the Municipal Act narrowed their opportunities to implement radical social reforms at the local level. In the case of Malmö, things did not change until 1934, when the Social Democrats occupied two-thirds of the seats in the town council. In Stockholm, the Social Democrats refrained from the influential position as Mayor of finance (*finansborgarråd*) for many years, although they had obtained 51 of the 100 seats in the town hall already by 1919 Högberg (1981).<sup>28</sup> The same applied to the fast-growing town of Västerås, where strong Social Democrats also collaborated with conservatives and liberals “to keep the town district’s expenses for measures against unemployment as low as possible” (Svensson, 2004, p. 214)

<sup>29</sup>Our approach underestimates the representation of employer interests as we do not count indirect representation, through lower managers, which could be significant. This was at least the case in Gothenburg, as observed by (Åberg, 1998, p. 108), who claims that “businessmen began to conduct politics through agents.”

<sup>30</sup>Östberg (1996, p. 15). For a possible exception, see Svensson (2004, pp. 136–137)

**Table 4:** Background of Social Democratic Municipal Council Chairs*Social Democratic chairs by class background and share of union members*

<b>Background</b>	<b>Number</b>	<b>Share</b>	<b>% union members</b>
Non working-class	11	27%	0%
Working class	29	73%	79%
<b>All</b>	40		61%

*Share of Social Democratic chairs with working-class background and union membership by quantile of local union strength*

<b>Quantile of UM</b>	<b>% working class</b>	<b>% union members</b>
Lowest	71%	50%
Intermediate	71%	56%
Highest	75%	86 %
<b>All</b>	73%	61%

*Note:* The first table shows the number and share of Social Democratic municipal council chairs by class background and gives the percentage belonging to a union in each group. The second table gives the share of Social Democratic municipal council chairs with a working-class background and the percentage belonging to a union by quantile of local union membership rates. *Source:* The biographical information is drawn from Hansson (1936) and local union presence is calculated from data in Andrae and Lundqvist (1998) and Nilsson (1992) as described in the data section.

The number of Social Democratic chairs with working-class background indicates the class character of these politicians and provides an essential context for the information on union membership. The relevant data is presented in the first panel of Table 4. This chart shows that as many as 73% of those who made it to a position as council chair for the Social Democrats had a working-class background. Importantly, the table also gives the share within the two groups who were members of a union. Not surprisingly, membership was absent among those without a working-class background. However, among those with such a background, as many as 79% were members of a union. Of this 79%, their occupational past also indicates that many of them had held positions within the union movement as local or regional leaders. This is a clear testament of the close connection between the party and the union movement. But was it also the case that strong local unions could influence the party to put their members in positions of power?

In the second panel of Table 4, we have sorted the municipalities into three groups, based on the rate of local union presence. This allows us to see if there were any differences between towns with different levels of union strength in the type of leaders representing the Social Democratic party. The first quantile includes the group of towns with the lowest level of union presence, the second quantile the group of towns with the second highest, and the last quantile the remaining one-third of the municipalities, those with the highest union presence. For each quantile, the table gives the share of Social Democratic chairmen with a working-class background, as well as the share of those who were members of a union.

The table reveals that the share that belonged to a union was highest in those towns where union strength was likewise the strongest. As many as 86% of all Social Democratic chairmen in the group of towns with the highest union presence belonged to a union, suggesting that in the case of a power shift towards the Social Democrats in these towns, unions could also expect one of their members to represent them in the highest local office. Interestingly, the table also highlights the lack of a difference in the number of chairs with a working-class background between towns with different levels of union presence. Consequently, the higher share of union members among the council chairs in these towns is not driven by a greater presence of individuals more likely to have a union background.

## 9 Conclusions

This paper has revisited the Power Resource Theory (PRT) and, in particular, its claim that the tranquility of the labor market in Sweden emerged as a consequence of Social Democratic strength in the political arena in the 1930s. However, in contrast to the original PRT, we study local politics rather than the national stage. For this purpose, we combine data on industrial conflicts with information about the local political influence in towns starting from the first democratic elections in 1919 until 1938. More specifically, we estimate how the frequency of strikes was influenced by shifts in the party affiliation of town council chairs, left-wing seats, and changes in the degree of union presence. We find that Social Democratic power in this sense reduced strike activity, but only in towns where union presence was strong. Union strength in itself did not reduce local strike activity.

We do not find any increase in per capita spending with a shift in power to the Social Democrats in the three significant areas of primary education, healthcare, or poor relief. Testing for lagged effects up to three years after the shift of political power does not reveal any relative change in spending patterns compared to towns that remained in the hands of the left, suggesting that there were no short-run effects on public spending on average. Thus, the lack of an immediate redistributive response through increased public expenditures suggests that other mechanisms, such as corporatist channels, must have been at work.

To demonstrate the importance of the close ties between political and union leaders, we collected biographical information on the background of all the Social Democratic council chairs that appear in our dataset and for which we can obtain data. We find that 73 percent of those that made a political career in the Social Democratic party had a working-class background. From these, the vast majority (79 percent) were members of a trade union, many of which had held positions in it as local or regional leaders. Local

politics was an arena in which parties in the labor market could meet and this was, in particular, the case in towns where the two wings of the Social Democratic labor movement were strong.

We argue that the political promise inherent in a gain of power resources through putting a union leader in political power was able to calm labor—even without tangible monetary concessions—at least in the immediate aftermath of a victory of the left. Without the moderating effect of Social Democrats in town councils, higher union presence would in itself have resulted in more labor conflicts over the course of the inter-war period. Taken together, our findings highlight that local politics cannot be neglected when understanding the aggregate picture of social change.

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## Appendix A Robustness

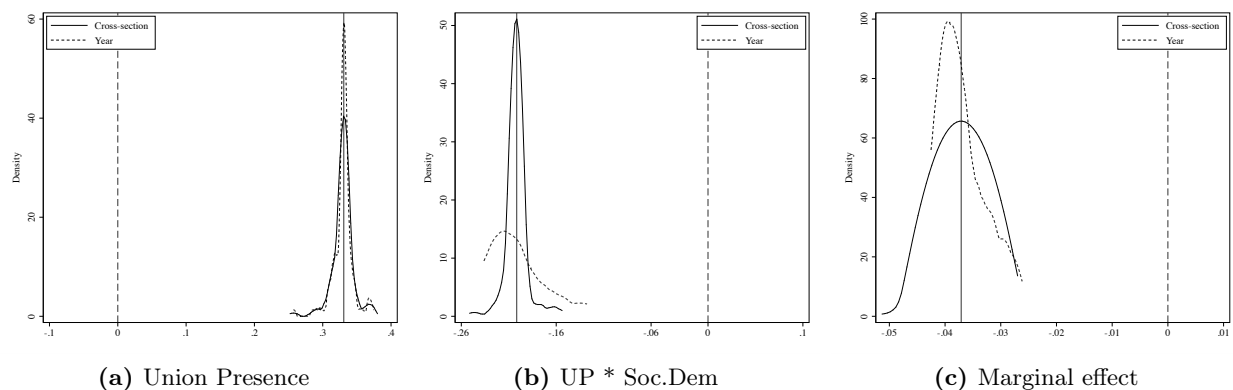
This appendix presents additional robustness checks on the results in the main text. The first section provides supplementary results for the effect on strikes of changes in political power. The second section offers additional results for the impact of a shift in political power on public spending.

### A.1 Effect on Strikes

Table A1 presents a set of additional robustness results to those presented in Table 2 of the main text. Column (1) reports the same baseline regression as in Table 2 for reference, column (2) presents the effect of controlling for region-specific shocks by adding county-by-year fixed effects, and Column (3) and (4) reports the impact of dropping the five largest and the five smallest cities in the sample respectively. The five largest cities are Stockholm, Gothenburg, Malmö, Norrköping and Helsingborg and the five smallest are Sigtuna, Trosa, Östhammar, Gränna, and Skanör-Falsterbo.

As a further robustness check, we also test the sensitivity of the results by dropping each town and year sequentially. Figure A1 provides a density plot of the key parameters, as well as the marginal effect of changing from a Right Party chair to a Social Democratic one, when union presence is 30 percent and all other values are held at their means. In all three cases, the effect of union presence, the interaction between union presence and a shift to a Social Democratic council chair, and the marginal effect of changing to a Social Democratic chair, the estimates are not greatly affected.

**Figure A1:** Sensitivity Analysis Removing each Cross-Section and Year Sequentially.



*Note:* This figure presents sensitivity analyses of the results presented in Table 2. Panels a, b and c show, respectively, the effect of removing each cross-section and year sequentially on the estimate of the effect of union presence, the interaction between union presence and a Social Democratic chair, and the marginal effect of changing from a Right Party chair to a Social Democratic one when union presence is 30%.

**Table A1:** Robustness Results

<i>Independent variable: Party affiliation of council chair</i>				
<i>Dependent variable</i>	(1)	(2)	(3)	(4)
	log(1+ strikes/pop)	log(1+ strikes/pop)	log(1+ strikes/pop)	log(1+ strikes/pop)
	<i>Main</i>	<i>County-year FE</i>	<i>Drop five largest</i>	<i>Drop five smallest</i>
Union presence	0.331*** (0.079)	0.242** (0.095)	0.375*** (0.086)	0.315*** (0.081)
<b>Chairs:</b>				
Soc.Dem	0.023 (0.017)	0.026 (0.020)	0.028 (0.018)	0.014 (0.018)
Liberal	-0.009 (0.018)	-0.011 (0.020)	-0.008 (0.019)	-0.001 (0.021)
Non-Political/Wild	-0.049 (0.039) (0.240)	-0.057 (0.044) (0.260)	-0.042 (0.041) (0.361)	-0.024 (0.047) (0.238)
<b>Interactions:</b>				
Union presence*Soc.Dem	-0.202** (0.086)	-0.197** (0.096)	-0.226** (0.090)	-0.161* (0.088)
Union presence*Liberal	0.009 (0.141)	0.015 (0.162)	-0.007 (0.146)	-0.037 (0.153)
Union presence*Non-Political/Wild	0.018 (0.356)	-0.001 (0.402)	-0.109 (0.412)	-0.063 (0.411)
Cross-section FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
County-year FE	No	Yes	No	No
Observations	2038	2038	1938	1954
Nr of towns	103	103	98	98

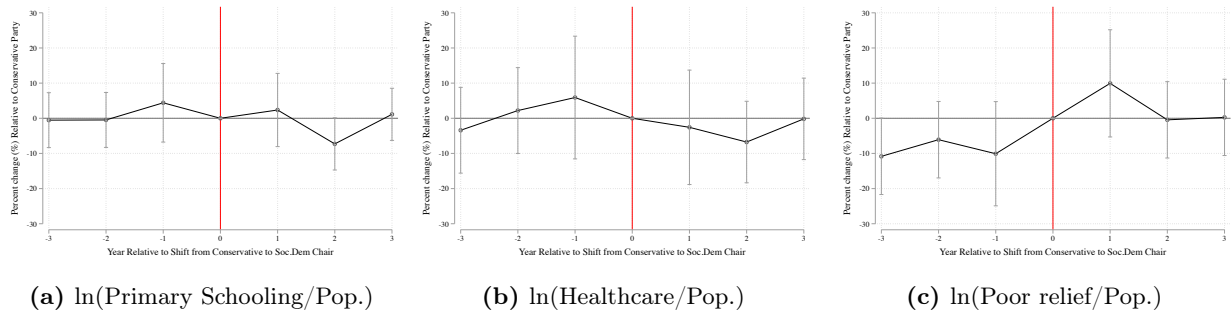
<i>Independent variable: Left share of council seats</i>				
<i>Dependent variable</i>	(1)	(2)	(3)	(4)
	log(1+ strikes/pop)	log(1+ strikes/pop)	log(1+ strikes/pop)	log(1+ strikes/pop)
	<i>Main</i>	<i>County-year FE</i>	<i>Drop five largest</i>	<i>Drop five smallest</i>
Union presence	0.864*** (0.146)	0.692*** (0.177)	0.872*** (0.151)	0.875*** (0.152)
Left share	0.188*** (0.058)	0.142** (0.070)	0.190*** (0.062)	0.180*** (0.060)
<b>Interaction:</b>				
Union presence*Left share	-1.253*** (0.259)	-1.008*** (0.301)	-1.271*** (0.275)	-1.256*** (0.268)
Cross-section FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
County-year FE	No	Yes	No	No
Observations	2042	2042	1942	1957
Nr of towns	103	103	98	98

*Note:* This table presents robustness checks for the main regression. The first column presents the baseline results as reported for the main regression results in Table 2. The second column presents the effect of controlling for region-specific shocks by adding county-by-year fixed effects, while the third and fourth column reports the impact of dropping the five largest and the five smallest cities in the sample respectively. The five largest cities are Stockholm, Gothenburg, Malmö, Norrköping and Helsingborg and the five smallest are Sigtuna, Trosa, Östhammar, Gränna, and Skanör-Falsterbo. The "Vacant" category is omitted from the table. Standard errors in parentheses. \*\*\* p<0.01, \*\* p<0.05, \* p<0.1.

## A.2 Effect on Public Spending

Figure A2 provides additional results for the effect of a political shift on public spending using a change to a 50 percent left majority in the Town Council as an alternative indicator. Over the period from 1928 to 1938, there were 49 such permanent shifts in political power.

**Figure A2:** Effect on Per Capita Public Spending on Primary Schooling, Healthcare, and Poor Relief of a Shift of the Municipal Council to a 50 Percent Left Seat Majority.



*Note:* The graph shows the effect on public spending on schooling, healthcare, and poor relief of a shift of the municipal council to a 50 percent left seat majority. Towns are only coded as treated if the left majority never falls below 50 percent for the remainder of the period. The effect is estimated using a model with time and cross-sectional fixed effects and three lags and leads of the outcome variable. The model is estimated on the set of towns between 1928 and 1938 that have complete spending data.

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