After Crisis: A Marxist Take on Capital and Labour after the Financial Crisis

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In 2007, a financial crisis developed with remarkable speed and spread throughout the global economy, penetrating most economies through the interconnected financial system. The crisis itself manifested long before 2007, primarily by the rise of the credit card industry and increasing indebtness, which was a response to stagnating wage levels in the advanced capitalist states in the 1980s. Originated in the US, mortgage lending exploded to meet the housing demand from the higher income earners – a development that was supported and promoted by financial institutions. As the market became increasingly exhausted, lending needed to be extended beyond households of high income, which led to the encouragement by financial institutions to loosen the credit strings for everyone so lending could become available for people of low income (Harvey 2010: 22). Although such lending would seem irrational and risky, the financialisation of capital markets made this possible through securitization of mortgages. After the low-preforming loans were repackaged and given undeserving AAA-ratings, any undue risk was transferred by the issuers through the securitization of mortgages: the issuer would sell the performance of the assets, while retaining ownership over mortgage contracts (Bryan, Martin and Rafferty 2009: 465). Hence, the housing bubble was built by the financialisation of the personal income of the working class (Lapavitsas 2009). The financial crisis in 2007 is to be seen as a systemic crisis of a particular form of capitalism, neoliberal capitalism, where its crisis tendencies are never solved, but merely moved around geographically and systematically (Kotz 2009, Harvey 2010). Ultimately, the overwhelming focus after the 2007-financial crisis has been economic – bailing out of banks, managing sovereign debt crisis that distressed the euro zone and stabilizing government budgets. Despite active unemployment measures, lowering of taxes and economic stimulus packages of different kinds, the financial crisis has largely landed on the shoulders of labour. As governments have desperately been trying to balance government's deficits and control budgets, labour have been supressed and undermined, as these measures are not in the interest of labour.

This paper employs a Marxist approach to fully comprehend the changing structures and social relations between capital and labour after the crisis. A post-financial crisis assessment of capital-labour relations is most valuable from a critical approach to IPE, as it goes beyond the interrogation of market studies, often characteristic of orthodox IPE, and takes a thoroughly political economy approach to unmask the structural causes of inequality and instability within the international system under capitalism. Further, the Marxist approach of David Harvey is valuable because it emphasises the spatial and geographical dynamics of the political economy, accepting that all spatial formulations of capitalism is different and can have different crisis, different responses and different recoveries. This may depend on the class relations within each society, its political and cultural traditions and how the balance of political economy power shifts in times of crisis formation (Harvey 2011: 6). To fully explore the uneven geographical development of capitalism, this paper will perform a comparative case study analysis of Sweden and the UK. This make a very interesting starting point for capital-labour relations after the crisis in that they both are products of the uneven geographical development of capitalism and illustrate how capital moves its crisis tendencies around geographically and systematically.

In 2008, the Conservative government in the UK announced its commitment to austerity measures, with profound cuts in government spending, mostly involving welfare reform savings and freezes in public sector pay, amounting to overall cuts at £83 billion (HM Treasury 2010: 6). The aim was balancing government deficit and making work pay.

The Swedish government responded with a stimulus package of SEK 32 billion to prepare for rising unemployment, increasing public protection for those affected by the crisis and stimulate capital accumulation and growth (Nylander 2009). Despite providing different responses, both countries are forecasted a recovery that has gained momentum and growth is attributed to accommodative monetary policies and tightened public spendings (OECD 2014b). However, what does this tell us? As abovementioned, capitalism does not solve its inner contradictions and crisis it merely replaces them. As Harvey (2010: 18) argues, financial crisis serve to rationalise the irrationalities of capital through reconfigurations, new models of development, new spheres of investment and new forms of class power. Focusing on economic trends ignores the crisis as a rational irrationality of capital. Through rising levels of income inequality, reduction in the labour share of income and the provision of social wages and public protection, both Sweden and the UK has witnessed a profound attack on labour by capital in the post-crisis period. The attack has been a consequence of capital's needs to restore capital accumulation, surplus value appropriation and continue financial activity. More importantly, this attack has been facilitated by a state-finance nexus through the converging interests of the state and capital in that the state management of capital creation and monetary flows have become integral to, rather than separate from, the circulation of capital (Harvey 2010: 40).

This paper aims to fill a gap in literature on how the post-financial crisis period has witnessed an attack on labour by capital. By acknowledging the uneven structures and development of capitalism, it aims to illustrate how neoliberal capitalism tends to create similar structures of class- and labour-capital relations. Neoliberal capitalism has the features of deregulation, privatization, financialisation, marketisation, reduced state intervention, renunciation of discretionary fiscal policy and reduced taxation of capital (Kotz 2009: 3). Through a qualitative method of comparative case study analysis of Sweden and the UK, it aims to illustrate how, despite the different constructions of capitalism and capitalist structures, neoliberal capitalism has enabled an attack on labour after the crisis. In addition to a qualitative approach, it will employ statistical analysis of second-hand data. Thus, the paper engages in a mix-method approach to reach a broader and more complete range of questions, which is particularly useful when addressing economic and political issues. The analyses will focus on three areas where the attack on labour by capital has been particularly profound in the post-crisis period. First, it will assess the increase of income inequality. This can be seen through capital gains and financial activity being limited to young, but growing, capitalist class in Sweden, and an increasingly volatile labour market in the UK. Second, it will assess the labour share of value, which has decreased through two different measures: through the growth of part-time and temporary employment in Sweden, and through a decrease of real wages in the UK. Third, it will assess the reduction of social wages and public protection, which has been facilitated by a reduction in social spendings and a more financialized pension system in Sweden, and by the employment of tight austerity measures in the UK. It will conclude that the post-financial crisis period has witnessed a weakening of labour through growing inequality on all accounts, which represents an attack facilitated through a state-finance nexus, in which the state management of capital creation and monetary flows have become integral to, rather than separate from, the circulation of capital.

Literature review

In this section, I will briefly discuss the conditions of labour capital relations in Sweden and the UK before the crisis. As Harvey (2011) argues, the current crisis originated in the steps that were taken to resolve the capitalist crisis of 1970s, where labour power constrained capital and was too powerful in implementing profit-squeeze policies. As such, the purpose of the proceeding section is to lay the foundation of an understanding of the condition under which labour has been under attack in the decades building up to the 21st century.

The rise and fall of the Swedish model

The "Swedish model" is based on a socio-economic balance between a strong labor and the leading industrial capital, in which the growth and prosperity of capital is consistent with the interests of the strong labor movement (Erixon 1996: 8). The policy constraints imposed on capital, in turn, is a necessary condition for capital accumulation and a sustainable and profitable capital development. This created a harmonious political climate between social democratic governments and the business community (Lundberg 1985: 1). The blue-collar labor union, LO (Landsorganisationen), and the Swedish Employer Confederation, SAF (Svenska Arbetsgivareförening), was the two main pillars underpinning the stability of the "Swedish model". The interdependence between capital and labor created a consensus that labour market conflicts should be resolved through collective union bargaining, with no interference from government or non-neutral legislation (Edin and Holmlund 1993: 5). This created the foundation for a stable post-war economy.

However, the small size of the Swedish economy limited the development of its productive capacities and commodities for mass consumption needed to be imported while, simultaneously, domestic demand increased. To avoid disproportionality between production and consumption, the Swedish labor movement embarked on a macro-economic model positioned between Thachterite monetarism and Keynesianism, which sought to to tacle inflation, while ensuring full employment (Erixon 2002, Belfrage 2011: 115). Emerging as a reaction to the inflation/full employment issue was the Rehn-Meidner model, which was presented at the 1951 LO convention. This macro-economic approach was centered on an expanive welfare state and public investment to stimulate domestic demand over business cycles and tackle unemployment through active labour policies, instead of increaing overall demand (Meidner 1993: 214). Hence, economic expansion and structural change depended on wage bargaining rather than state intervention in the sphere of production, which contributed to a policy of wage restraint and wage solidarity, collectivily imposed by the unions (Pontusson and Swenson 1996). The wage levels were set by centralized bargaining between the LO and SAF, which promoted income equality and productivity. One of the consequences was that unproductive firms that were not able to provide wages according to these levels were forced to rationalize or go out of business, where, in case of the latter, the excess labor force would be absorbed by another, more productive firm. This would easily filter out the “fruitless” firms, and increase overall productivity. Secondly, the wage restraint imposed on the high-paid workers would boost profit levels and encourage expansion and further investment. Hence, the overall effect of a wage restraint policy would be increased productivity, which again reconciled high wages and price stability (Pontusson 1987: 9). Similarily, the Rehn-Meidner model empasized a solidaristic wage policy, where unions operated with a centralized wage policy that promoted equal pay for equal work. Thus, regardless of the profitability of the firm, which could impose wage increases due to excess profit, equal work would acquired equal pay throughout the economy (Blyth 2001: 7). The compression of wage differentials would in turn constrain wage drift and inequality. As such, the Swedish model evolved based on a comprehensive social democratic policy that focused on economic equality, price stability and full employment. It represented decommodification of citizenship, through strong social entitlements and protection from market imperfections (Esping-Andersen 1990). In addition to these committments, for mass consumption to be sustained under high growth conditions, a high income-replacing pension system needs to be in place to secure conditions for workers beyond pension age (Belfrage 2011: 117). The People’s Pension was already considered the “jewel in the crown” of the Swedish welfare system (Lundberg 2003). The 1950s saw the birth of a supplementary pension scheme. The ATP funds were entirely financed by employers´ contributions and based on the pay-as-you-go (PAYG) scheme, which rewarded employees with pensions equivalent to 60 percent to their 15 highest salaried working years (Palme 2005: 43). Moreover, the ATP funds contributed to low interest investment funds and were consitent with a strict financial and monitary policy, which reflected the decommodified financial integration that had a reproductive function for capital accumulation (Ryner 2002: 90).

The “Swedish model” was beginning to deteriorate as LO and SAP diretly challenged ownership, as the core feature of capitalism, through “wage earner funds” (Lounsbury and Jonsson 2004, Pontusson 1987). It responded to the increasing profit rates, share values and concentration of welath of the early 1980s, which was a consequence of the devaluation of the Krona and wage constraint due to a solidaristic wage policy (Lundberg 1985: 30). The proposal aimed at collective wage sharing and expected the continuation of a solidaristic wage policy to be easier for high-paid workers if the excess profits were reinvested in the firm and translated into worker-owned capital (Pontusson 1984: 12). This had previously been neglected by SAP in favor of workers rights and welfare (Jonsson and Lounbury 2004: 21), which maintained the stability between the LO and SAF and ensured a favorable environment for equal negotiations. Hence, SAF shifted its policy in accordance with the proposal and transformed its compromising nature, to aggressivly representing capital and, as a consequence, undermined the stability between capital and labor (Ryner 2004: 106). As the social democrats became increasingly convinced by the market narrative, this also represents the split between the LO and SAP. LO passivly accepted the capital-friendly policies introduced by the SAP in the 1980s, as they no longer managed to promote the Rehn-Meider model as capable of securing full employment, competitiveness or reduce inflation (Pontusson 1992: 317).

As the legitimacy of labor was starting to erode, the devaluation of the currency as a reaction to inflationary pressures contributed to an great increase in net exports and caused a profit-boom in the Swedish economy (Erixon 2008: 373). Largely dependent on exports, Swedish markets became increasingly exposed to foreign markets and the Swedish economy was becoming internationalized (Meidner 1993: 226). Credit markets were rapidly deregulated to adapt to the pressure of foreign competition and the ATP funds were no longer insufficient as a provider of investment capital to high profit firms, who started creating alternative subsidaries for financial capital (Belfrage 2011: 127). As a consequence, banks, who used to be the main provider of credit, could not lend at the same profit rate as larger corporations sought other alternatives, and started offering loans at high risk (Ryner 2004: 101). This increaed exposure to financial (in)securities contributed to the banking crisis in 1992 (see Drees and Pazarbasioglu 1998, Englund 1999, Lindberg and Ryner 2010). Another consequence of financialisation was the pension reform, embarked on by SAP in 1999. It represents a shift in pensions from universalism to means testing in that basic pension is not guaranteed to sustain subsistence, from decommodification to re-commodification in that individuals are no longer protected against market imperfections, as they are increasingly dependent on access to finance and the inflow capital comes from workers, not employers (Belfrage 2008, Belfrage and Ryner 2009). The pension reform has been a central to what Belfrage (2011) refers to as subversive neoliberalism as neoliberal values are discreetly being integrated in society. Cichon (1999) referred to the new pension scheme as old wine in a new, elegant bottle –as confusing the shift from a solidaristic pension model, to a neoliberal pension model increasing inequality in retirement

The fusion of Thatcherism and "Socialist" values

In the UK, the shift in balance of power from labour to capital took place simultaneously as the labour movement thrived in Sweden. In response to the failing corporatist strategies to maintain full employment and social welfare, the Labour government began to intervene more directly in collective bargaining in an attempt to counteract push-inflation and constrain the power of the unions (Marsh 1992: 8). The Winter of Discontent further mutilated the relationship between the government and the unions, and Thatcherism was born out of the political discontent with Labour policies, and its ability to address the required alternative (Hay 1996: 254). The alternative presented by the Thatcher government is what Jessop et. al (1984) named the "two nations" approach; a hegemonic project centred on a neoliberal accumulation strategy with a strong state. This differed from the corporatist, Fordist mode of production based on a redistributional welfare state in that it explicitly viewed the conditions of the underclass as inevitable (Jessop 1989). Previous macro-economic efforts to maintain full employment were rejected in favour of balanced budgets and tax reductions, and welfare was cut to reduce the budgetary deficit (Hall 1993: 284). The deflationary policies of the 1980s sought to undermine union bargaining rights, deinstitutionalize and deregulate labour rights and encourage the growth of low-wage through contracting out public services to private firms (Longstreth 1988: 416-17). As the state retrenched from previous responsibilities, it aimed to condition the creation of new markets. This led to a change in property rights, which caused more possessive individualism with a short-term, profit-maximizing corporate culture, where citizens were exposed to market insecurities and risk taking (Wilks 1994: 698).

The long-term consequence of Thatcherism has been its determined intervention in pre-existing class-structures to fundamentally weaken the unity of the working class and its political and economic representation (Nunn 2014: 317). Towers (1989) predicted that a political return of the Labour Party in the 1990s could revitalize working class rights, but as time has showed labour was never restored to a position where it was capable of fundamentally challenging capital. This was made worse by the lack of political unity among the British Left. Similarly to Sweden, the introduction of neoliberal policies and values sparked political dispute within the Labour Party, as the New Left envisioned democratic socialist reform, while New Labour preferred parliamentary capitalism (Panitch and Leys 1997: 4). The capitalist turn of the Labour Party has redefined the relationship between capital and labour ever since. Indeed, after their electoral victory in the early 1990s, New Labour reflected continuity with Thatcherite monetary policy, more than an alternative, and did in fact further the commitment to liberalization and deregulation (Jessop 2007: 283). The New Labour discourse before the 1997 election was reflective of a pro-globalisation agenda, similar to a Thatcherite "there is no alternative" rhetoric. In Blair's speech to the Labour Party Annual Conference, he said: "We know what makes a successful creative economy (…) manage the country´s finance well. Encourage business and enterprise. But each bit requires us to modernise and take the hard choices to do it." (Blair 1997). Embodied in the pro-globalization agenda are the need for a power transfer from the state, to the market, the need for the internationalization of interest of capital to adapt foreign competitive pressures and the specific need for anti-inflationary credibility (Watson and Hay 2003). This clearly reflects a Thatcherite approach, but the greatest discontinuity between New Labour and Thatcherism is the former's further intensification with the dominant mode of globalization and the knowledge-based economy (Jessop 2007: 286). The remains of the British welfare state are thus reminiscent of Cerney's competition state, where the state becomes a strategic market actor itself, in search of new mechanisms of capital accumulation (Cerny and Evans 2004). This has primarily happened through New Labour's depoliticization of government economic policy making, through a reordering of government economic responsibility onto national or international non-governmental regimes, in an attempt to build counter-inflationary mechanisms into the economy (Burnham 2001). One part of a neoliberal, counter-inflationary approach involves adopting central bank independence that is consistent of an economy with a rolled-back government, privatised industries, liberalized financial markets and flexible labour markets (Epstein 2002: 3). This was one of the first accomplishments of New Labour, when the Bank of England was made independent from government interference in 1998.

As has been demonstrated, the balance of power has shifted gradually from labour to capital in both cases, through politics of deregulation, financialisation and privatization. In both cases, the introduction of neoliberalism has rendered the state a new role as the maintainer of the favourable conditions for capital markets at all costs. This is a crucial point to recognize because it defined how they managed the financial crisis of 2007 crisis, especially towards labour

Theoretical framework

In order to better examine to how labour has been under attack by capital in the years following the 2007-financial crisis, a theoretical framework is needed to highlight these issues. I will begin this chapter by outlining why Marxism, or critical international political economy (CIPE), is a key framework to such an analysis. Second, I will introduce my application of qualitative research method through a comparative cross-national subset and limited cross-national generalizations method. Third, I will explain the function of a mixed-method approach by introducing a quantitative method of statistical analysis. Lastly, I will briefly identify the shortcomings of my methodology.

A Marxist approach

This paper is first and foremost based on theory. The purpose of theory is to explain, comprehend and interpret the reality. Indeed, one can argue that without theory of some sort it is impossible to understand reality (Stoker 1995: 16). Marxist theory is crucial to fully comprehend the changing structures and social relations between capital and labour after the crisis. A critical approach to IPE goes beyond the interrogation of market studies, often characteristic of orthodox IPE, in that it takes a thoroughly political economy approach to unmask the structural causes of inequality and instability within the international system under capitalism (Ashworth 2011: 10). Being critical is distancing yourself from the prevailing world order and fundamentally challenging the existing set of institutional and political structures, while concerning yourself with its origin and future processes of change (Cox 1981: 129). A critical examination of political and economic structures as fundamentally interconnected, rather than separate entities, allows us to investigate the prevailing societal and power structures comprising the international system. While it is unattainable for any theory to be all-encompassing, a Marxist approach knowingly embraces its priorities centred on the ultimate goal of labour emancipation through the centrality of questions of work and attempts to identify structures of political economy, in order to identify contradictions and inconsistencies within the international system (Dunn 2009: 10). As Marxist theory positions itself in the realm of changing structures and societal and power relations, it embraces a subjective stance. As such, Marxism have been criticised for being pseudo-scientific (Popper 1969: 35), in that its theoretical approach do not adhere to a universal set of rules. Such a positivist approach to social science is, however, damaging because it does not accept that, in so far as they can be identified, the rules of social and political life are constantly subject to "reproduction, renewal and transformation" (Hay 2002: 84). It is not possible to acquire universal truth by approaching politics and economics as a science, because researchers are themselves subject to and a result of subjective realities formed by cultures, society, religion, etc. Similar to Hawkesworth (2010: 278) account on feminism as a critical approach, in embracing different social relations and structures of the political economy, a Marxist perspective rejects the possibility of a positivist research approach, such as value neutrality, norms of researcher detachment and the quest for universal explanations, and recognises bias and subjectivity as a research asset. Choosing a theory is itself subjective, for no one can separate from the social and political dimensions that are imbedded in every researcher, and so, valuable research may be extracted from the application of a theory to the changing dimensions of reality. In that sense, no method can live up to positivist research principles, but reflexivity can fill the gap between positivist principles and its practices (Burawoy 1998: 11). I concur with Von Apeldoorn, Bruff and Ryner (2010: 12), who argued that an analysis of the 2007-financial crisis from a CIPE perspective necessitates a reflexive and open-ended approach due to the changing structures of crisis. Therefore, we can identify two reasons why a CIPE approach is invaluable when assessing labour-capital relations after the financial crisis. First, the prevailing structures of the international economy in the run up to the crisis was based on neoliberal capitalism, a system that values private property and aggressive individualism and is dependent on class structures and the exploitation of labour. As the inherent instabilities and contradictions of the capitalist system was at the centre of the crisis, its most fruitful analysis must come from a critical perspective, which assesses the institutional, societal and power relations in place, in that system. Second, as Marxism sees the prevalent structures in the international political economy as changing and is interested in what these restructurings and reconfigurations might lead to, it is better equipped to holistically assess the aftermath of the crisis and the consequences it poses for labour.

Mixed-method approach: a comparative method with statistical analysis

Capitalism depends on the mobility of capital and its ability to overcome any barrier or obstacle to continued capital accumulation. Nevertheless, capital remains embedded in territorially located institutional arrangements and infrastructure and each capital configuration depends on the structures of class, society and power relations specific to this spatial organisation (Harvey 1985). As such, it was paramount for contesting my hypothesis, to apply a comparative cross-national study of Sweden and the UK, as two capitalist nation-states, but with different structures of class, society and power relations. Comparison is a fundamental tool of analysis, in that it sharpens the ability of research to accurate description and plays a central role in concept-formation by bringing into focus suggestive similarities and contrasts among cases (Collier 1993: 105). Comparative research has the advantages (Hauge and Harrop 2007, Burnham, Lutz and Layton-Henry 2008) of allowing us to contextualize knowledge, and in this case, using one event in time and space to accentuate a trend that has been continuous even before the time in question. Second, it improves classification by contesting the existing classification, the theory, by redefining it based on new empirical data. Third, a comparative approach strengthens hypothesis testing by isolating specific variables, hereby identifying possible difference between the two cases, which has the possibility of redefining the hypothesis itself. Fourth, it enables development of predictions in politics. The last is particularly important in the context of this paper, as possible predictions about the consequence of crisis formation in advanced capitalist societies can be helpful in the recurrence of such an event. Moreover, there are different ways to conduct comparative cross-national methodology (Elder 1976). In a vein similar to Marxists before me, I am conducting a cross-national subset and limited cross-national generalizations. As such, I have carefully considered the cultural uniqueness of each national context through first identifying the separate subsets in each context, before I conduct my cross-national generalization. I concur with Giddens (1973) in that advanced capitalist societies have a unique form of class structure, and that based on the political, economic and ideological structures that usually manifest in advanced capitalist societies, limited cross-national generalization will be possible between the two. Hantrais (1999: 98) mentions the rationale for selecting nation states as the unit of analysis when preforming a comparative study because they possesses clear territorial boarders, their own institutional and political structure and social and cultural traits. As one point of generalization, she mentions membership in political and economic organisations as background for comparative analysis. From a Marxist perspective, I focus on global capitalism as a point of generalization, which is different in that it accepts these organisational structures as nothing more than expressions of global capital accumulation.

To be one of the first to point out the strengths and weaknesses of comparative case studies, Lijphart (1971: 685) acknowledged that statistical method might be more accurate in any case of research, but that when acknowledging the limits of time and financial resources, a comprehensive comparative study might be more promising than a more superficial statistical analysis. Hence, to strengthen my comparative cross-national research, I am analysing statistical data. In a qualitative manner, I have first established the theoretical foundations and subsets within each case, thereby applying statistical data analysis for eventual cross-national generalizations and hypothesis testing. Due to time and space limitations, I have focused on secondary data analysis. Bryman and Bell (2007: 328) lists the benefits of secondary data analysis: it allows the researcher access to high-quality data, which have been gathered comprehensively and are most close to being representative. Second, the geographical spread and size of extensive cross-national data are gathered by researchers of substantial resources. This is an important point, because as I am doing a cross-national comparison, it would have been an inconceivable goal to even aim for such representative research. Third, the data have been gathered within a framework of highly developed control procedures to check the quality of the data. Furthermore, reanalysis may offer new interpretations by a secondary researcher (ibid: 334). I believe this is important to note, because different theories will be interested in other aspects of the data set and will offer a more in-depth explanation. Hence, a mixed-method approach enabled me a quantitative and quantitative stance (Creswell 2002: 208). A purely theory-based approach would have proven inadequate in highlighting the economic trends and consequences of capitalist crisis, and the changing social relations that have occurred (Read and Marsh 2002: 233). As such, a mixed-methods approach of qualitative and quantitative data can be more useful, depending on the nature of the research question. Bryman (1988: 134) notes the value of a mixed-method approach in that quantitative research can lay the foundation for the development and formulation of quantitative analysis. Similarly, Johnson and Onwuegbuize (2004) argue that the eclecticism and pluralism derived from mixing methodological approaches enables the researcher to answer a broader and more complete range of questions. Collier (1993: 111) claimed that failing the opportunity of including quantitative research is a huge mistake, especially when researching political and economic trends, where quantitative research can effectively address interesting analytical issues. It would have been virtually impossible to contest my hypothesis without the statistical data available to expose labour exploitation and capital appropriation.

Possible shortcomings

As already mentioned, no theory is all-encompassing and Marxism is no exception. As a Marxist I am interested in the mode of production under capitalism, based on the exploitation and alienation of wage labour, which constitutes the economic relation of extraction of surplus value. Following Harvey, I am interested in the competitive and contradicting forces of the capitalist mode of production, disrespectful of spatial and geographical dynamics and dependent on constant movement and subjugation of space and time. This approach has the weakness of excluding gender in the capitalist mode of production and within capitalist spaces, which have been pointed out by feminist Marxists before (Dalla Costa and James 1972, Hartman 1979)[i]. Marxism have been criticised for exclusively focusing on the relations of production, while excluding reproduction in capitalism (Bakker and Gill 2003, Bakker 2007). For example, female labour market participation have increased substantially in Sweden after the introduction of market policies (Stanfors 2014), thus raising the question of reproductive patterns and the distribution of household activities between men and women. However, including a gendered analysis of labour in the post-financial crisis period is beyond the scope, and word limit, of this paper. Moreover, the method of mixing qualitative and quantitative research is a new paradigm within academia, which brings debate about validity (Read and Marsh 2002: 231). The ontological and epistemological differences between the two approaches are in stark contrast to one another, as qualitative research believes that reality is constructed and emphasizes that research can never be conducted or interpreted objectively, while quantitative research believes in one single reality and that research can and has to be conducted and interpreted objectively (Bergman 2008). Bryman (2008: 88) has raised concern over the application of mixed-methods in that its single justification derives from “the best of both worlds” argument, while what is actually involved in mixing, integrating and combining often goes unexplained. There will always be ambiguity in mixing methods with fundamentally different values and aims in research, but it offers a powerful third paradigm that often will provide the most informative, complete, balanced and useful research results (Johnson, Onwuegbuzie and Turner 2007). Moreover, when relying on second-hand data, the analysis represented in this paper has depended fully on recent statistical reports with up-to-date numbers. However, these reports are extremely extensive and are often produced on an annual or biennial basis. Hence, including extensive sets of numbers from 2014-15 has sometimes proven difficult. However, this paper presents a thorough analysis from 2007 up to 2014 and is therefore sufficiently able to map the economic trends after the financial crisis and make valid conclusions. Moreover, new reforms presented in recent time have been included so to easier form conclusions about the overall attack on labour by capital in the post-crisis period.

The financial crisis through an interaction with David Harvey

I will briefly present the three aspects of Harvey´s Marxist approach that I find relevant and will apply to my analysis; the capital surplus absorption problem, accumulation by dispossession and the state-finance nexus.

First and foremost, Harvey (2010a) emphasises that financial crisis serves to rationalise the irrationalities of capitalism and will lead to reconfigurations, new models of development, new forms of investment and new class relations. Hence, periodic crisis is frequently seen throughout the existence of capitalism, but has yet to constitute its downfall. Marxist theories of crisis tend to start with the general laws of motion, as capital is value in motion, but Harvey stresses that any account of the financial crisis cannot be made through reference to the general laws of motion only (Harvey 2012: 8). This is echoed by Holgersen (2014: 6) who argues that there is no theoretical reason for the theory of overproduction and the falling rate of profit, not to co-exist. Nevertheless, Harvey (2010a: 18) insists that one crucial aspect of the 2007-financial crisis lies in the battle between a politically strong labour and a profit seeking, mobilizing capital in the 1970s. Capital needed access to cheaper labour, which they acquired through the promotion of immigration, off shoring of production and political disempowerment of the unions. Consequently, profits were growing considerably while wages were stagnating, which created the problem of excess surplus value and declining aggregate demand. Nevertheless, due to the pressures of intercapitalist competition, capital accumulation and growth must accelerate in order to be reinvested and expand production. Harvey (2010a: 28) refers to this contradiction as the “capital surplus absorption problem”, as capitalists are awash with surplus value, with the need to realize it through the creation of new productive outlets. In order to overcome barriers to capital accumulation, capital aimed to create new markets so that surplus value can be absorbed and realized. Hence, the gap between what labour was earning and what it could spend was covered by the rise of the credit card industry and increasing indebtness (Harvey 2009: 2). Household debt skyrocketed from the 1980s to finance the increasing need for surplus value absorption. If we first turn to Sweden, this is all too evident. Johansson and Persson (2006) illustrate how the aggregate household debt ratio (household debt as a share of disposable income) dramatically increased in the mid-1980s, as credit markets were deregulated. As earlier mentioned the devaluation of the Krona caused a sharp increase in net exports and led to a profit-boom in the Swedish economy, while the average Swedish worker was confined by wage restraint. The aggregate household debt ratio reached 130 percent in 1989, followed by a decrease during the banking crisis. By 2006, it stood close to 140 percent. In the UK, aggregate household debt ratio was on the rise during the late 1980s, consistent with the deregulation of credit markets. According to Goodwin (2013: 49), aggregate houshold debt ratio reached 110 percent in 1990, but fell back during the British recession in the early 1990s. However, from the early 2000s household debt skyrockeded and peaked at near 175 per cent in 2008!

Increasing indebtedness of the population is a symptom of financialisation, which is a consequence of the capital surplus absorption problem. Capitalists need new outlets for capital growth, and as increased intercapitalist competition squeezes profits due to the lowering of prices, alternative methods are necessary for future surplus value extraction. Ways have had to be found to transfer assets and channel wealth, from the population to the capitalist class. This is what Harvey (2007: 34) refers to as accumulation by dispossession. By this, he refers to the dispossession of wealth or rights of the population, into the hands of the minority, the capitalist class. Firstly, one devastating effect of accumulation of dispossession in developed countries is the use of the credit system as a radical means of primitive accumulation. For example, in the UK, the share of finance in the total value added between 1997 and 2007 reflects a financial deepening, with output growing at over 6 per cent annum, well above GDP growth at 3 per cent (Burgess 2011: 234). In contrast, the manufacturing share of total GDP has declined from 14 per cent to 10, 7 per cent between 1997 and 2007 (Rhodes 2014). The numbers are quite overwhelming when considering that the financial sector workforce in the UK have not varied substantially over the period since 1997 (Tyler 2015: 5), while the reduced activity in manufacturing have accounted for 1, 332 job losses between 1992 and 2007 (Rhodes 2014). Secondly, accumulation by dispossession includes the loss of pension rights. For example, the introduction of the Premium Reserve System in Sweden exposes individual pensions directly to financial market performance, and encourages financial activity among the mass population. However, as Belfrage (2011:135) concluded, the people have not become more financially active as the reformed would have wished, and the majority of pensioners are passive investors. In fact, the consensus in Sweden is that being a passive investor *is* the rational choice, and even the chief of the Premium Pension Authority, Daniel Barr, belongs to the 2, 4 million Swedes who actively decide not to choose fund investments (Josefsson 2008). Hence, financial activity is limited to only a few, usually those who possess financial literacy and risk management skills. As such, the population is commodified and the economic divide between those who are financially literate and financially illiterate grow. This process is enabled by an "inactive" state. Hence, at the heart of the credit system lays the state-finance nexus (Harvey 2010a: 40, Harvey 2011: 7). As the state actively deregulates financial markets, or financialize hitherto state owned pension funds, the financial and political interests of the state and capital becomes increasingly conflated. As such, the structures of governance of the state and capital become integral to, rather than separate from, the circulation of capital (Harvey 2010a: 40). Because of the state-finance nexus, the state will prioritize the needs of capital, not the needs of labour, which is a remarkable shift of governance for two countries of social democratic origin.

While real wages stagnate, the deregulation of credit markets are exposing the whole economy to the inherent insecurities and risk of finance, while those with financial literacy are gaining profits that highly exceed the rate of return invested in production. Together, this capitalist elite and the state form the state-finance complex that is crucial to the dynamics of capitalism and the emerging new financial architecture, in which labour is highly absent. According to Harvey (2009, 2010a) labour is only a small piece of the problem if you consider the social forces at work in contesting and setting up the institutional arrangements, which have been largely populist. This is why Harvey (2011b) claims that the financial crisis of 2007 was a crisis of finance, not of labour (like in the 1970s). The most important point Harvey (2010a) is trying to make when describing the effects of the crisis is centred on the state-finance nexus. Crisis in capitalism is systemic, but capitalism never solves its crisis, it merely moves it around. In that vein, the aftermath of the crisis reflects a departure from neoliberal theory, which holds that market forces determine the outcome; if you lose, you lose, because of the embrace by political power to openly favouring bailing out the financial institutions at the expense of the population (Harvey 2010b). Hence, the crisis shifted from one about stabilizing the banking system, to stabilizing state financing, which ultimately leads to a disciplining of the people through austerity measures. Hence, much due to the state-finance nexus, the crisis has now been replaced. Indeed, in 2013 Cameron announced the state's commitment to austerity measures of a permanent nature:

Already we have cut the deficit by a third. And we are sticking to the task. But that does not just mean making difficult decisions on public spending (…) It means building a leaner, more efficient state. We need to do more with less. Not just now, but permanently" (Cameron 2013).

Similarly, the Swedish conservative financial minister, Anders Borg, have been a firm advocate of austerity and fiscal discipline, urging an approach of cutting spendings, while raising taxes on low- and high income earners (this will effect low- and middle-income earners more when keeping in mind the abolition of the inheritance and wealth tax)[ii] in order to stabilize deficits (Duxbury 2013). In fact, government spending to GDP reduced from 60, 7 per cent in 1998, to 52, 7 per cent in 2007 (Trading Economics). A political correspondent for the Swedish National Review predicted this was unlikely to change under the new Social Democratic government and compared the situation to that of New Labour after Thatcher (Fund 2014). Hence, capitalism – or more accurately, the state – has shifted the crisis of capitalism increasingly on the shoulders of the people, rather than the financial institutions that contributed so overwhelmingly to the crisis.

The overwhelming focus after the 2007-financial crisis has been economic – bailing out of banks, managing sovereign debt crisis that distresses the euro zone and stabilizing government budgets. As Harvey allows us to see, the financial crisis was indeed a crisis of finance, where labour was largely insignificant as setting the structural or institutional agenda. Even in countries with a stronger social democratic legacy, the focus on macroeconomic stability have been the primary focus, while rising inequality, wage disparities, heightened financial volatility and rising debt levels have been left undeservingly unattended. Harvey (2010a: 52) states that:

At times of crisis there are always an option. Which one is chosen depends critically on the balance of class forces and the mental conceptions as to what might be possible (…) It is the task of analysis to uncover what might be possible and to place it firmly in relation to what is likely given the current state of class relations throughout the world.

This paper seeks to fill a gap in literature on the conditions of labour as the controversy of the financial crisis has dampened. What makes an interesting comparison between the UK and Sweden is that labour in the former has been more strongly undermined than the latter. The current conditions of labour in both cases will contribute to our understanding of crisis as an irrational rationalizer, where the status quo is either reinforced or challenged, and what role the state has in such a process.

Research findings

It is difficult to accurately point to when the financial crisis "ended" as the economic instability it caused can still be felt on economies around the world. This chapter aims to highlight the negative consequences of the crisis in Sweden and the UK, and how the post-crisis years have represented an attack on labour by capital. Equally important, the section aims to highlight how the state has been pivotal in accommodating these attacks. Although the systemic changes that have taken place are complex and interconnected, this chapter is divided into three sections. I will first focus on income inequality after the crisis, and try and identify the overall intensifying trends. Following this, I will focus on the labour share of income to more thoroughly investigate the attack on labour by capital through wage relations. Lastly, I will focus on social wages and how the state focus has been to ensure favourable conditions for capital, enabling the attack on labour.

Income inequality

It is important to establish how income inequality developed in the immediate years after the crisis, before assessing its long-term effects. The Gini Country Report Sweden (2012) and the Gini Report UK (2013) provides us with accurate statistics regarding the development of income inequality. In regards to Sweden, the report claims that the substantial increase in Sweden´s income inequality is mostly attributable to a strong rise of top incomes and the growing importance of capital income (Fritzell et al. 2012:1).

Figure 2 [iii] illustrates income inequality between decile one (lowest 10 per cent) and decile 10 (highest 10 per cent), including and excluding capital gains. Capital excluded, the income share of decile 10 peaked at 21 per cent in 2007, when insecurities in the market was starting to become apparent. It slowly decreased, but reached 21, 5 per cent in 2009, higher than it was in 2000. For decile 1, income shares reached 3 per cent in 2007, after a continuous decline, and ended at 2, 5 per cent in 2009, lower than in 2000. This indicates that inequality of wage shares have not decreased immediately after the crisis, although it has not increased either. Rather, it reflects that this trend existed before the crisis. However, income inequality becomes even more apparent when including capital gains. Capital gains included, the income share of decile 10 peaked at 26,5 per cent in 2007, not surprising regarding the unregulated nature of markets in the year of the financial crisis. It has since decreased to 24 per cent in 2009. For decile 1, when including capital gains, the number does not diverge from the former. The two lines show almost exact symmetry. This illustrates that the top incomes lost the most in the immediate aftermath, due to loss of capital gains and investments. However, it also illustrates how the income share of the lowest incomes continued to decline after the crisis, regardless of capital gains or other financial investments. As aforementioned, financial literacy in Sweden is limited to an elite class, while the majority of the mass population do not indulge in financial activity. OECD (2011: 22) further highlights that the rise of income inequality, in small economies such as Sweden, have been largely driven by changes in the distribution of wages and salaries, in that the wages of the 10% top income earners have risen relatively to the wages of the 10% lowest paid both due to growth in earning shares at the top and declining shares at the bottom. According to Harvey (2010a), after capitalist crisis economic power is often restored to the capitalist class and the rise of social inequality becomes a necessary consequence of neoliberalism. The changes in household disposable income between 2007 and 2010 reinforce this assumption (OECD 2013: 395). Disposable income for the top 10 per cent income earners rose by 4 per cent, while for the bottom 10 per cent earners, it rose 0, 5 per cent. Hence, the rise in income for the top 10 per cent income earners exceeded the overall trend in Sweden during that period. Further, in Figure 3 the S80/S20 ratio illustrates that income inequality dropped immediately before the crisis, but has since been restored to its initial number. Income inequality dropped by 10 per cent in 2006, but had the equivalent upward adjustment by 2010. The report states that the countries represented in the graph shows "volatility of the income quintile ratio (which) does not enable a straightforward conclusions to be drawn" (OECD 2013: 395). However, looking at the numbers through a more critical perspective, they are not surprisingly at all – they only represent the inevitable about neoliberalism and neoliberal crisis. Income inequality will rise as capital and labour markets adjust and become increasingly so that capital value can be restored to its pre-crisis condition. As Andrew Mellon (US Banker, Secretary of the Treasury 1921-32) famously stated: "In a crisis, assets return to their rightful owners." (Quoted in Harvey 2010a: 17). More recently published statistics only reinforces this trend as the S80/S20 quintile ratio increased by 0.2 from 2010 to 2013 (Eurostat). Hence, we see a clear upward adjustment of income inequality in Sweden, where inequality between top income earners and low income earners are most obvious and the trend only seem to amplify. The reason why income inequality shows an upward adjustment in Sweden in the years before and after the financial crisis, compared to other countries, might be that wage equality and income distribution have traditionally met excellent standards in Sweden, but as the economy has become more neoliberalised and exposed to market volatilities, income disparities grow more rapidly, and the hitherto rich have a tendency to become very rich.

In fact, the gap between the middle income earners and the top 10 per cent earners has been growing more rapidly than between the middle- and low-income earners, representing the separation of the capitalist class from other income groups.[iv] In addition, there has been increasing income inequality within the middle-class, with a growth of 0.8 per cent from 2006 to 2010. This was largely attributed to the changes in the distribution of wages (Global Wage Report 2014: 32).

Before assessing income inequality in the UK, it is important to mention wealth inequality and the distribution of wealth across society. Roine and Waldenstrøm (2012) conclude in their study that in recent years the increase in top income shares in Sweden is notably larger for market income than for total income. In addition, they found that the distributional impact of capital gains appear to be exclusively a top income phenomenon. Reflecting the findings of the Gini Report (2012), they conclude that in contrast with some developing countries, where the main source of inequality is wage inequality, the main contributor to growing inequality in Sweden is the skewed distribution of private wealth and large increases in asset values (Roine and Waldenstrøm 2012: 585). This has not changed after the financial crisis. Meister and Shafir (2014: 33) highlights that after the financial crisis, the overall pattern was a rise in wealth inequality. However, in Sweden, the wealth share of the top decile remained the same at 68.6 per cent in 2007 and 2014. Although not reflecting a rise in the concentration of wealth, this number illustrates that the accumulation and concentration of wealth by the top decile has been allowed to remain the same after the economy collapsed in 2007, and that the distribution of wealth has not strengthened. As capital safety nets from non-financial assets (principal residence and investment real estate) and financial assets (deposit accounts, stocks, bonds and mutual funds)[v] and inheritance are restricted to the top decile, financial crisis will more fundamentally challenge the financial resources of the lower classes, who mostly depend on wages and are more prone to wage decreases.

In the UK, the overall levels of income inequality are predominantly driven by changes in original income from employment and investment, most importantly employment income (McKnight and Tsang 2013: 22). Hence, the focus shifts from the negative impacts of financialisation and privatization, to the negative impact of deregulated labour markets. Figure 3 **[vi]** shows how the unemployment rate declined gradually in the UK after the 1990s crisis, then rapidly increased in 2008, from about 5.8 per cent to 8.1 per cent in 2012. This is according to the ILO ratio, which defines individuals as unemployed if they are without work, want to work, are actively seeking work or waiting to start (ibid: 23). The Claimant ratio, however, measures recipients of unemployment benefits. This is a different ratio, because it varies according to government definitions of entitlement to unemployment benefits. The Claimant ratio followed the ILO ratio and sharply increased in 2008, from 2 per cent to 5 per cent in 2012. Interestingly, the 2008-2012 period illustrates one of the largest gaps between the ILO ratio and the Claimant ratio in the UK since the 1970s. As unemployment has increased after the crisis, those covered by, or defined as entitled to, unemployment benefits have decreased which already indicates a growing gap in inequality. In 2013, the unemployment rate had overall decreased with about 0.5 per cent. If growing unemployment and decreasing public provision was a contributor to income inequality, it will be valuable to investigate which group was most affected by unemployment. Crucial to economic growth after the recession was ensuring high returns to employment. This was relatively managed for short-term unemployed, with a return rate at 51 per cent, while return rates for long-term unemployed were low, at only 29 per cent (European Commission 2014: 47).

In their study, Hills et. al (2013: 3) argue that those most severely hit by unemployment was the younger generation. Between 2008 and 2010, they found that full-time employment among 20 to 24 year olds fell by more than 8 percentage points for both men and women. European Commission (2014) claims the situation of increasing unemployment among young people is the greatest concern after the financial crisis. According to the report, the youth unemployment rate have "stabilized" in the UK since 2008, at 16 per cent of the labour force, aged 15 to 24 (ibid: 16). However, the UK is below the European average in young people not in education or employment (NEET), with levels at 14 per cent of the population, aged 15 to 24 (ibid: 17). The trend of unemployment among young people, the general low return from long-term unemployment to employment and increasing NEET levels are some of the main legacies of the crisis. Our focus thus returns to Figure 3 and the Claimant rate as a reflection of the nature of unemployment benefits after the crisis. After 2010, the UK modified its unemployment benefits arrangements by tightening entitlements conditions, reducing the amount of benefits received, introducing means testing, making them conditional on undertaking active job searches and linking the level of benefits to the duration of employment (European Commission 2014: 85). Hence, even though the post-crisis years saw a rapid increase in unemployment, public spending in terms of unemployment benefits actually tightened its entitlements conditions, and so, unemployment benefits increased disproportionately to cover those experiencing long-term unemployment. However, despite the volatility in the British labour market income inequality has been measures at lower levels than those in Sweden. Figure 4 **[vii]** illustrates how there was a slight increase in income inequality from 2008, but this stabilized in 2010, at about 99.5 per cent. Since 2010, the income quintile ratio has decreased with 0.8 per cent in 2013 (Eurostat)**.**

As aforementioned, in the UK, the overall levels of income inequality are predominantly driven by changes in original income from employment and investment. Surprisingly, the falls in income rights across the income distribution after the financial crisis tended to favor the lower quintile, as the greatest losses in income came from the top income earners. Hence, the fall in income shares after the crisis have decreased income inequality. To be sure, falls in income have been experiences across the income distribution between 2009 and 2011, but whereas it has fallen 1.1 per cent for the lowest income group, it has fallen 5.1 per cent for the top income group (Cribb, Joyce and Philip 2012: 29). The report points to that the fall in income inequality being driven by income losses of those at the top might be a temporary consequences of the 50 per cent marginal income tax rate on incomes exceeding £150,000 per annum (ibid: 27). However, one cannot accept such statistics lightly. Firstly, UK is the country with the next highest net financial wealth levels, after the US (Cowell, Karagiannaki and McKnight 2013: 4). Hence, during a recession, loss in financial capital or financial wealth is normal and often does not affect household wealth levels of the top decile to a considerable extent. During a recession it is perfectly normal for total market income going to the top decile to decrease, for then to stabilize when the economy is in recovery. As Piketty and Saez (2012: 3) conclude when assessing the aftermath of the financial crisis and its implications for top incomes, all evidence suggest that corporate profits and financial bonuses will continue after 2012, hence, the recession will only depress top income shares temporarily and will not undo any of the dramatic increases in top income shares that has taken place since the 1970s. This is not the case for labour, who still largely depends on wage shares. So, to further assess whether a true reduction in income inequality in the UK has taken place we need to turn to a closer examination of labour share of income.

Labour share of income

To reiterate, there have been difference causes of income inequality in Sweden and the UK, the first more connected to capital gains and financial activity being limited to a young, but growing, capitalist class, and the latter to a volatile labour market with decreasing support for vulnerable groups. It will therefore be interesting to see the differences in the development of the labour share of income. The investigation of the wage relation will give us a more thoroughly look at the attack on labour by capital after the crisis.

In the UK in 2014 over 70 per cent of total household income came from wages (ILO 2014/15: 36). However, the UK has experienced one of the most negative wage adjustments after the financial crisis, compared to other European countries. After the crisis, inflation was so low that the only way for reduction in real wages to occur was cuts in nominal wages. Even if the economically rational thing to do after the crisis was to reduce real wages employers were often reluctant to do so, leading to "nominal downward wage rigidity". This was the main cause of wage decreases in the UK after the financial crisis. OECD (2014a: 57) illustrates how nominal downward wage rigidities contributed to real wage cuts after the crisis. The UK experienced an incidence of real wage cuts in 2010 at 68 per cent, in which

24 per cent was caused by nominal wage cuts, 8 per cent from nominal wage freezes and 36 per cent in real wage cuts, but nominal wage increases. Hence, real earnings cuts affected almost two thirds of the workforce. It is important to note that this does not indicate a direct *cut* in wage levels, but that nominal earnings reduction is due to flexible forms of payment such as overtime or bonuses, or reduction in hours worked due to low activity. Nevertheless, the consequence real wage decreases have on labour is astonishing, including deteriorating living conditions and a need for alternative income sources. In addition to this, if we include the high levels of unemployment in the UK after the crisis, especially amongst full-time employed youth, we can expect the condition of family household to deteriorate as the combination of labour market volatility, risk of unemployment and a reduction in real wages severely constrain family economies. However, the slowdown in real wage growth was quite evenly spread across income groups and did not only affect the weakest in society. Between 2007 and 2012, real wage growth decreased with 3 per cent for the bottom decile, 3 per cent for the median and 3.9 per cent for the top decile (ibid: 66). OECD (2015) attributes the stagnation of real wages to the low levels of productivity in the UK. Labour productivity has been exceptionally weak since the beginning of the crisis and thought to be the main reason for real wages to decrease. Following the capitalist mode of production, wages are most commonly affected in times of growth slowdown, decreasing real output and low productivity. Figure 5 **[viii]** illustrates that from 2010 and onwards, labour productivity had a slight increase, while real wages had a slight decrease. This is a necessity in capitalism during recession, to restore capital accumulation, profitability and efficiency. As such, the period from 2010 onwards represents a further exploitation of labour. Before productivity accelerates real earnings are probably going to continue to be weak. If low productivity growth will continue to impede the growth of living standards, one concern would be what is dampening productivity growth in the first place. There are different reasons for the slowdown of productivity. One of the reasons is the combination of shocks that have lowered capital stock accumulation, reduced labour efficiency and boosted labour supply. We can immediately relate this to the previous section, where it was noted that the UK saw a reduction in the wages and wealth of the top decile. Capital from the top decile is one of the main sources of capital stock accumulation and investment and when there is a dampened growth in capital for the top decile, capital accumulation slows. The following boost in labour supply drive wages down and it becomes increasingly difficult for the capital stock to adjust to higher levels of labour. A downward trend in the investment ratio is also mentioned as one of the factors constraining labour productivity, leading to weak demand, large uncertainty and depressed business confidence (ibid: 24). Vidal (2013: 464) argues that the decline in labour´s share of income is closely linked to union density, particularly in post-Fordist regimes. He finds that the simple correlation for union density and labour´s share of income between 1975 and 2010 was .71 for the UK, which reflects the union´s inability, both before and after the crisis, to bargain for increases in member wages. This is consistent with the attack on labour by capital already in the 1970s, where labour influence and labour union power was severely undermined. The consequences of a more decentralized bargaining system, where corporations have more influence and autonomy in deciding wage levels, is that real wages can be reduced or undermined, without the ability of labour to withstand such suppressions. This can be seen in the reduction of real wages across the income distribution, but also in the lowest wage levels. OECD (2014d: 90) shows how the minimum wage level remained unchanged from 2007 to 2014, at €1,300 a month, which reflects an increase of 2 per cent, which is 40 per cent of average wage in 2013. As Harvey has pointed out, the attack on labour by capital, especially through real wage decreases, was counteracted by an increasing household indebtness in the years building up to the crisis. Indebtness in the UK definitely supports his argument, as it saw its biggest increase in household indebtness from 1999 to 2008 by over 150 per cent of household income (European Commission 2014: 219). However, this decreased slightly by about 20 per cent in 2012.

In 2014, close to 80 per cent of total household income in Sweden came from wages (ILO 2014/15: 36). However, since the 1970s, there has been a downward pressing trend on the labour share of income from about 75 per cent to 60 per cent in the late 1990s (Deakin, Malmberg and Sarkar 2014: 14). In the late 2000s, this trend reoccurred. Despite this, the prognosis seems quite positive for the future of labour as wages are said to increase greatly as the economy regains its strength and move out of the recovery phase. Due to the collective bargaining system in Sweden, wages levels for the period ahead is determined on the basis of expected inflation levels, productivity growth, international competition and employment ambitions. Even though average wage levels decreased with 0.3 per cent between 2012 and 2013, they are expected to increase with 0.7 per cent in 2017 (Nordic Council of Ministers 2014: 47). Wage negotiations in 2013 resulted in an agreed wage increase until 2016, based on the prediction of great economic growth and productivity levels (Sveriges Riksbank 2014). However, an increasing proportion of the wage agreements are agreements in which no percentage for wage increases is specified, which includes almost 20 per cent of employees being covered by agreements that do not specify any percentage nominal wage increase in 2015 (ibid: 44). Workers who fall outside these agreements and are not specified by any wage increase may suffer from lower wages in the long-term and are those most severely hit by a sudden rise in inflation levels. Hence, to further investigate the labour share of income in a "pro-labour" Sweden, we need to open the analysis to the people falling outside the standard wage agreements. In Sweden, there is a clear divide between those with permanent contracts and those with temporary contracts, as the former enjoys a greater degree of higher wages, more extended rights and job security (European Commission 2015: 39). In OECD´s (2014d: 48) measurements of the development in temporary employment after the crisis, they find that it decreased slightly from 2007 to 2013, but remained high at 17 per cent of the total employment. Just as Harvey (2010a: 47) speaks of the floating army of laid-off workers putting downward pressure on wages, the access to a floating army of temporary workers that can be accessed without any extensive training and no permanent contracts also puts downward pressure on wages and enables capital to become more competitive. Moreover, OECD (2013: 41) illustrates how Sweden has seen one of the highest growth in part-time employment from 2008, at about 26.6 per cent of the total employment. Part-time hiring reduces cost due to lack of contractual arrangements, lack of commitment to workers compensation and workers' rights, and low pay due to often low-skilled and low-experienced labour. This provides a perfect compensation for corporations after a recession, as it saves costs. In addition, short-term employment add to statistics on employment levels after the crisis, which proves misguided as it leaves out the nature of work, work conditions and the duration of employment of these workers. Part-time employment increased in the years after 2008, before it slightly stabilized in 2013, by 0.4 per cent (European Commission 2014: 288). Part-time work has become especially common in welfare sectors and health services, which has received a lot of criticism for privatization leading to deteriorating working conditions with more part-time, involuntary part-time and temporary employment contracts (Drange and Egeland 2014: 33). This most likely concerns all sectors undergoing privatization, in which an increase in part-time work is necessary for capital to survive in a competitive environment, where there is a constant pressure for lower prices and employers need to replace labour or cut labour costs. This has been a growing trend in Sweden since before the crisis and has weakened those workers who are not covered by wage increases due to wage negotiations and those who are on fixed contracts. As such, Sweden has seen one of the highest growing household indebtedness in Europe. As aforementioned, in the UK, household debt has decreased slightly since the years following the crisis, while in Sweden household debt is still growing. Figure 6 **[ix]** illustrates the growth of Swedish household debt growth compared to other European countries, including the UK. All countries saw household indebtness subside from around 2008, while both Finland and Sweden saw a continuous growth of almost 300 per cent in 2012. The economy-wide debt to disposable income ratio was 160 per cent in Sweden in 2013. However, for indebted individuals this number was much higher (European Commission 2015: 10). The report further shows that the debt ratio reaches 313 per cent for households that have a mortgage and 370 per cent for new mortgage borrowers. The rising level of mortgage indebtedness coupled with a rally in housing prices in the years following the crisis definitely gives cause for concern. Housing credit growth is the main factor of increasing household indebtedness, with housing prices rising annually (Finocchiaro et. al 2011).

Social wages and public protection

Labour share of income has reduced after the crisis, but through fairly different measures. Real wages has been greatly undermined in the UK due to nominal downward wage rigidity, and in Sweden, workers who are not on permanent contracts, work part-time jobs or are not included in agreements that specify wage increase represent the decreasing labour share of income, but tend to be kept out of the equation. This then leads us to an examination of the strengths of each welfare system and the existence of compensation and social protection from the government to labour. In Sweden, public social spending as a percentage of GDP has been declining since the early 1990s. However, social spending increased by 2 per cent in 2009, followed by an equivalent decrease in 2013 (Figure 7). **[x]**

As mentioned in the previous section, it is most beneficial to look at labour share of income beyond the GDP ratio, and focus on the growing trend of part-time and temporary workers. These groups are the most vulnerable to lay-offs and are often susceptible to end up in-between jobs. Following this vein, it is interesting to measure the growth of unemployment expenditure by "type" of unemployment. In Sweden, active unemployment benefits grew with almost

35 per cent between 2007 and 2011 (European Commission 2014: 70). This can be seen as a response to the growing unemployment after the financial crisis and an incentive to enable people to remain active and available for work in times of low growth. The report highlights the importance of distinguishing between primarily active measurements, such as vocational training allowance, vocational training in-kind, placement services and job-search assistance, and mainly passive measurements, such as full and partial unemployment benefits, early retirement benefits for labour market reasons, redundancy compensation, mobility etc. Sweden´s active labour market policy spending is mostly directed towards employment incentives through employment subsidies to incentivise employers to create jobs for those outside the labour market (Berry 2014: 9). This strategy is preferred compared to training incentives and job-search assistance in that it aims to up-skill those who cannot find work through enhancing their skills and work experiences. Keeping in mind that Sweden has seen one of the starkest increases in short-term employment, the labour market activation policies should also aim at supporting those with short-term work, as they are more prone to being in-between jobs. However, unemployment benefit coverage of short-term employed decreased from over 30 per cent in 2007, to 25 per cent in 2013 (European Commission 2014: 85). This indicates that active labour market policies fail to activate or include those in short-term employment on a permanent basis. However, while active unemployment benefits grew between 2007 and 2011, passive unemployment benefits declined by almost 25 per cent. Now, this can be seen as an active choice to focus resources on those who have the best possibility of becoming employed. However, the reduction in passive unemployment benefits might also negatively affect those workers who cannot be clearly defined as either an active job searcher or a passive job searcher. Imagine for example a worker who has had a low-paid job throughout life and has not been able to save much money for retirement and is a passive-investor in the pension funds. In his old age he might suffer an injury and be unable to work, which forces him into early retirement. Due to the new pension system, the insignificant retirement savings give him a very uncertain future, which is exaggerated by the substantial cut backs on passive unemployment benefits. This problem highlights the possible shortcomings of such cut backs, as well as the pension system in times of crisis. As mentioned earlier in this paper, the 1999 Pension Reform introduced a defined contribution scheme, which linked future benefit levels to changes in demography, labour market and the economic environment. To ensure financial stability, benefit entitlements and pensions are linked to an automatic balancing, which primarily follows market variables. The crisis exposed the weaknesses with a financialized, unregulated pension system as the balance ratio became less than one and liabilities surpassed assets (Hagemejer 2009: 4). With a focus on low government intervention in the pension funds, the funds have been directly exposed to market volatilities and future benefits have been put at risk. One consequence of this is already visible in the increasing at-risk-of-poverty rate among women pensioners. After the crisis, taxation on income was lowered, but this did include pensioners with the lowest entitlements, and the economic situation of women pensioners with low pension entitlements worsened (European Commission 2015: 43). In 2014, the government introduced an increase in earned income tax credit, a rise in the lower threshold for state income tax and lower taxes for pensioners, but the economic crisis have still resulted in a government budget deficit and old-age pension system deficit in 2012 and 2013 (Nordic Council of Ministers 2014: 45). This exposes future pensioners to lower entitlements. There are also signs that the active labour market policies are not effective enough in ensuring employment for those outside the labour market. By 2012, the number of unemployed did not only increase, but shifted more negatively towards the most disadvantaged groups in society, which include young people with only pre-upper secondary school education, foreign-born workers, workers of a certain disability that prevents full work capacity and unemployed people aged 55-64 (Gustavsson et. al 2013: 2). This enables the conclusion that the active unemployment expenditure have failed to absorb more disadvantaged groups into the labour market.

For the UK, public social spending have been rather stable since the early 1990s, before it peaked in 2009 at almost 25 per cent of GDP and has remained stable since (Figure 7). Although public social spending is a smaller percentage of GDP than in Sweden, the trend in the post-crisis years is quite similar. However, if we turn to measuring the growth of unemployment expenditure by type, the trends diverse substantially. Whereas Sweden saw a considerable growth in active unemployment measures, the UK saw a stark decrease, at over 25 per cent (European Commission 2014: 70). It is important to see this decrease in light of the growing unemployment in the UK since the crisis. The UK has spent less than most European countries on active labour market policies, with only 0.4 per cent of GDP going to active unemployment expenditures, and over 80 per cent of this is going to labour market services, which aim at job-search services, job-matching and short-term training programmes designed to facilitate successful job searches (Berry 2014: 3). In addition to this, passive unemployment expenditures also decreased by nearly 25 per cent. Hence, UK public expenditure going to unemployed decreased overall after the crisis. UK activation policies aim at getting people to work fast –regardless of the nature of work. This is due to the current government's commitment to reducing government spending drastically. The government austerity measure was presented by the 2010 Treasury Spending Review, which announced a spending cut of £83 billion, which mostly involved welfare reform savings and freezes in public sector pay, to "simplify" the existing benefit system through ensuring that it always pays to work (HM Treasury 2010: 16). Radice (2014: 325) argues that the commitment to further and deeper deficit cuts represents a depoliticisation that serves to legitimise government actions through the use of common-sense public misconceptions such as the fear of loss of competitiveness, inflation and government debt being as risky as household debt. Former governments have for long been able to refer to these misconceptions to legitimise the consequences of their macroeconomic obsession, which have gradually shaped negative conceptions of welfare spending overall. Macrory (2010: 4) found that attitudes towards excessive government spendings and social protection for the poor have become increasingly negative since the 1990s, with more people believing government spending impends work ethics, that most workers receive benefits undeservingly and that a reduction in welfare benefits would increase productivity. However, looking beyond government rhetoric and public misconceptions, the current government austerity commitment represents a profound attack on labour by capital. Even if unemployment has gone down during this period, from 7.9 per cent in 2010, to 5.5 per cent in 2014 (Eurostat), the rate of long-term unemployment has increased with over 1 per cent from 2008 to 2013 and the exit rate from long-term unemployment into employment was about 30 per cent between 2012 and 2013 (European Commission 2014: 25). When comparing the hitherto negative and positive effects of the new tax and benefit system, Hills (2015) found that overall the changes were neutral: people gained from cuts in means-tested benefits, tax credits, income tax liabilities and from state pensions growing faster than inflation levels. However, tax reduction always hit the bottom income earners the most due to the negative distributional effect. The poorest twentieth lost the most, as much as 3 per cent of their income, while the median and top income earners gained from reduced taxation, representing an income transfer from the poorer half of households to most of the richer half, with no net effect on public finances (ibid: 39). Moreover, the pension reforms of 2010 were justified by the government by the "unfairness" of public sector pensions, as they received more than private sector employees. Cutler and Waine (2013) point out the logic behind higher pensions for public sector employees, as they usually earn less than private sector employees and argue that the government has failed to provide a satisfactory case for how the current occupational provision for the public sector is unfair exactly. There have also been negative effects beyond reduced social spending and unemployment benefits. The new austerity measures are centred on a localism that often comes with the neoliberal desire to privatise and reduce government intervention in society. From 2010, the government basically left its commitment to a national programme of neighbourhood-targeted policies with the argument that aside from scarce government resources, local actors are better to mobilize and identify local needs and priorities, through voluntary organisations and private initiatives. Deas and Doyle (2013) focus on the deteriorating effects this has had on Manchester, having benefitted greatly from central government regeneration schemes and community building, claiming its abandonment ignores the geographically uneven nature of community capacity and resources. The post-crisis reform has represented a clear shift towards aggressive individualism where the aim of the political and capitalist elite has been to further dismantle state intervention, upon which they desperately depended when the crisis hit. A further turn away from social protection and towards individualism, where any policy is aimed at self-responsibility, individual independency and a turn towards polarization of communities fails to identify the weakest in society, and indeed, the weakest communities. This represents the tendency in neoliberalism to create poor peripheries around a few throbbing cosmopolitan hotspots. Even if unemployment is largest in London, more secluded spaces are left to self-govern with little interference from central government, which ignores the different budgetary capacities of different spaces and leaves it up to local government to sort out major problems such as household poverty, drug use, domestic violence and so on.

Discussion

The previous chapter has aimed to highlight the economic trends and measures that were taken after the financial crisis and how they have fundamentally undermined the position of labour. The first section focused on income inequality and illustrated that income inequality have increased in both Sweden and the UK, although the causes are of a slightly different nature. Increasing income inequality after the crisis was definitely more significant in Sweden. What has been interesting is that income inequality dropped during the crisis, but has since continued on an upward path. As capital markets have restored confidence after the crisis, financial activity has regained its pace and the capitalist class can continue its search for new profitable investments. This confirms Harvey´s (2010a) claim that after a crisis, capital returns to its rightful owners. The abandonment of wage solidarity in Sweden established conditions for growing income inequality even before the crisis, but further deregulation of markets for heightened competitiveness has exaggerated this trend. Due to pre-existing class structures after the Thatcher era, income inequality seemed less extreme in the UK before the crisis, but through the post-crisis austerity measures, income inequality has worsened drastically. What is equal in both cases is the growing divide between those who have access to capital and possess financial literacy, and those who depend more deeply on stable wage income in order to survive. Adopting a Foucaultian approach to neoliberal capitalism, Lazzarato (2009: 128) rightly argues that inequality and pre-existing class structures are not problems for neoliberalism in the same way as unemployment, low demand or low productivity is – it rather exploit these issues and depend on its existence and only seek a certain "equilibrium" between poverty and wealth, remaining unconcerned of the different aspects of poverty or its causes. This is certainly reflected in many of the policies adopted in the post-crisis period by both governments, which has been largely ignorant of the rise of the extremes of wealth and poverty. Labour exploitation became more apparent as the analysis moved into the wage relation and labour share of income. Here, the extremes after the crisis are seen most prominently in the UK, as two thirds of the workforce was affected by real earnings cuts. In neoclassical terms, this is rationally attributed to low productivity levels, but what is largely ignored are the consequences of the deprivation of stable wage levels and employer support to labour, which depends on wage income for subsistence. It ignores the most basic features of the social relations of production and an increasing inequality largely based on class structures. In arguing for a wage-led growth, Bengtsson and Ryder (2014: 9) attribute the falling wages shares to a power-laden shift from Fordist to finance-led accumulation, accommodated by accumulation by dispossession and heightened financialization. The shift to finance-led accumulation has also depended on part-time and temporary employment in Sweden. In both cases, labour has responded by increasing indebtness, which is another feature of financialisation. As labour share of income has decreased, labour have become increasingly dependent on finance in order to meet elementary needs, such as housing, education and health benefits, and so through these activities are banks able to extract significant profits directly form wages and salaries. As the banks depend on labour income for profit, it takes on an exploitative nature, even though it is not related to production, because it takes place systematically and through economic processes (Lapavitsas 2009: 131, Peet 2011: 393). Underpinning these processes are the state-finance nexus, which have provided conditions for capital to thrive on expense of labour. The confluence of state and financial power distorts the analytical tendency to see state and capital as clearly separable from each other (Harvey 2010a: 42). The Swedish government has been more active in countering unemployment through public measures, but this has only proven successful to some extent, has unemployment has not only increased, but shifted towards the most disadvantaged in society. The austerity measures imposed by the Conservative government has undermined the ability of labour to counter the attack from capital, as they increasingly rely in wage income with a reduction of public provision and support. The severity of the global financial crisis has further exposed how states are entangled with the irrationalities of capitalism (Panitch and Gidin 2011). Even as the states provided some form of stimulus packages they were compelled to cut public spendings and promoted wage cuts in both public and private sectors and furthered their commitment to the deregulation of financial and capital markets, with little or no state intervention.

Conclusion

This paper has employed a Marxist analysis on the post-financial period to shed light on the deteriorating effects the financial crisis has had on labour. By conducting a cross-national subset and limited cross-national generalizations of Sweden and the UK, it has established that regardless of the different subsets within each case study – the uneven structures and development of capitalism – there has been an attack on labour by capital after the crisis, which has been highly facilitated by the state through the state-finance nexus. The paper has highlighted that irrespectively of a country´s institutional, political and financial arrangement and its pre-existing class structures, the mere adoption of neoliberal capitalism entails a certain organizational structure, such as deregulation through financialization, privatization and marketization, reduced state intervention, renunciation of discretionary fiscal policy and reduced taxation of capital, which fundamentally undermines the position of labour. This is especially so during crisis, as it becomes paramount for capital to undermine labour power, replace labour or reduce labour costs. This is reinforced by the state-finance nexus, in which state management of capital creation and monetary flows become integral to, rather than separate from, the circulation of capital, and the state itself reinforces the irrationalities of capitalism. Through an analysis of statistical data, this paper has focused on three consequences of the financial crisis that reflects a successful attack on labour by capital. First, it presented evidence for increasing income inequality. Second, it focused on the wage relation through the labour share of income. Third, it focused on social wages and public protection, to best highlight the state-finance nexus. The paper concludes that Sweden and the UK are evidence that labour has been further undermined in the aftermath of the financial crisis, and that the crisis indeed had the function as capital's irrational rationalizer. What will become of capital-labour relations in the future is beyond the scope of this paper. However, based on these findings, we can assume that capital is coming to dominate yet again, even after of its deepest recessions ever, for capital has once more proven that it transcends the limits of time and space, but most of all, the limits of labour.

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Endnotes

[i] For a feminist critique of Harvey and space see Deutsche (1991).

[ii] For a discussion of why the wealth tax was abolished, and why it was abolished after the inheritance tax, see Henrekson and Du Rietz (2014).

[iii] See Fritzell et al. 2012.

[iv] See European Commission 2014.

[v] The definition of wealth used by Cowell, Karagiannaki and McKnight (2013).

[vi] See McKnight and Tsang 2013.

[vii] See OECD 2013.

[viii] See OECD 2015.

[ix] See European Commission 2015.

[x] OECD 2014c.

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