

# Six Obstacles for Political Reforms

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This report identifies the main obstacles to policy reforms in political systems where many parties share power and explains how these obstacles can be overcome.

In a typical majoritarian democracy, there are two dominant political parties and the party that wins the election can govern unhindered until the next election. In a typical proportional democracy, power is shared among many political parties, which means that reforms must be negotiated among these parties.

Sweden is in many respects a typical proportional democracy. The electoral system is proportional and despite the 4-percent electoral threshold, eight parties are represented in parliament. For more than fifty years, all governments in Sweden have been either coalition governments or minority governments, or both. The parliament and its standing committees play an important role in political decision-making.

Political systems in which many parties share power can become “grid-locked” – unable to adopt reforms – for even if most people stand to benefit from a reform, there are almost always some people who expect to lose. To build support for reforms, it is therefore often necessary to compensate the losers through policy initiatives that benefit them.

In December 2020, four Swedish labor market organizations – the Confederation of Swedish Enterprise, the white-collar union organization PTK, and the two largest blue-collar unions, IF Metall and the Municipal Workers’ Union – agreed to reform Sweden’s labor laws. This reform was also anticipated in a previous political agreement between the Social Democrats, the Green Party, the Center Party, and the Liberals in January 2019. This is an example of how those who stand to lose can be compensated. The blue-collar unions were opposed to changing labor law, since job security would decrease, but they nevertheless agreed to the reform since the employers promised to compensate them through new training initiatives and new provisions on fixed-term employment and working hours.

Yet it is difficult in practice to build support for reforms by compensating the losers. The report identifies six obstacles that political parties must overcome.

1. It is sometimes difficult to compensate losers from a reform without undermining the reform itself. During the 1970s and 1980s, many European countries responded to rising unemployment by encourag-

ing early retirement. This later proved to be a costly solution, which led to new calls for reform in the 1990s and 2000s. In other policy domains, it is difficult to compensate the losers since people tend to think of political conflicts in absolute, either-or terms, not in relative, more-or-less terms. Immigration policy is one example.

2. If compensation requires a big and expensive bureaucracy, it becomes more costly, and therefore harder, to build support for reforms. It is also harder to put together broad policy packages if political power is divided between different levels of government. In federal states, reforms typically take longer to carry out than in unitary states, in which political parties have a wider array of policy instruments at their disposal.
3. Coming up with policy solutions takes time, effort, and other scarce resources, and if these costs become too high, adopting reforms becomes difficult or even impossible. One thing that seems to reduce these sorts of political costs is if political decision-makers know each other well and interact with each other regularly. Until the 1980s, it was common in Sweden to involve all political parties in the policymaking process at an early stage through broad government commissions of inquiry. It is likely that this method fostered cooperation among the parties.
4. Political negotiations are also associated with “audience costs” if groups and individuals who are not directly involved in the negotiation observe it while it is in progress (and not merely the outcome of the negotiation) and the parties worry about what those groups and individuals will think. The way around this obstacle is obvious, but also controversial in a modern society that values openness and transparency: it is easier to adopt reforms if the political parties can negotiate with each other privately.
5. Political parties will only agree to compromises if they are sure that the policies they agree to will be implemented. In the short to medium term, the main problem here is that parties outside the government may worry that the governing parties might use their power over the state bureaucracy to their own advantage. The 2019 political agreement between the Social Democrats and the Green Party (in government) and the Center Party and the Liberal Party (outside the government) took

a long time to negotiate since the latter two parties were concerned about this risk.

6. The final obstacle is also the most difficult to overcome. If some parties are worried that their political influence will decline in the future, they may be unwilling to enter into compromises now since they might not be able to protect these compromises in the future. Because of this problem, broad political compromises often include provisions on institutional changes that are designed to guarantee the future influence of the parties that enter into the agreement.