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Pathologizing the Economy: “Baumol’s Cost Disease” and the Circulation of Economic Knowledge in Sweden

Abstract: “Baumol’s cost disease” (BCD) is a famous concept in economics, highlighting the reason why personal services tend to become less affordable over time. This article traces the circulation of the notion of BCD in Sweden from 1968 to 1991, showing how this simple piece of economic knowledge was translated into vastly different political agendas. Three such agendas are identified: redistribution, austerity and degrowth. In the context of cultural policy, BCD was seen as justifying public subsidies to the arts. However, for liberal critics of the Swedish welfare state, BCD proved the historical necessity of limiting the responsibilities of the public sector. In an alternative reading, it was used as an argument for degrowth and for a reduction in working hours. The circulation of BCD in the public sphere highlights the importance of rhetoric to economics and in particular the appeal of the medical metaphor of “disease” as key for articulating a sense of social or cultural crisis.

Keywords: cultural policy, degrowth, economic knowledge, economic metaphors, unbalanced growth, welfare state

1 Introduction

In the late 1960s, a hypothesis was developed by a prominent economist. Unlike much of the increasingly mathematized work in this discipline, however, this was a hypothesis simple enough for anyone to understand. The argument centered around the story of a string quartet, highlighting how it needs a certain amount of time to perform a certain piece of classical music. It would not make sense for the musicians to play faster, nor is the quartet able to reduce its workforce to any number smaller than four. The economist then used this string quartet as an analogy in order to characterize a wide range of human activities that all seem unable to keep up with economic demands to become ever more efficient. As a result, such activities tend to become increasingly expensive over time.

I here refer to the so-called “cost disease,” usually presented as “Baumol’s cost disease,”¹ sometimes “the Baumol effect”² or even “Baumol’s law.”³ It is commonly presented as a discovery made by US-American economist William Baumol (1922–2017), but as we will soon see, the actual phenomenon had already been analyzed by several economists before him. However, it was only with Baumol that it became a “thing,” and variations of the same story – typically with reference to a string quartet – have circulated in the public sphere for over half a century. The same “disease” has been brought up in vastly different contexts to explain the long-term outlook for society and to support a wide range of political agendas.

The fundamental dynamic of the cost disease is indeed very simple. While there is a tendency in every capitalist economy toward rising productivity, this is not to say that productivity may rise at an even pace in each sector of the economy. In certain industries, technological innovation may offer exceptional opportunities to reduce the need for human labor. Accordingly, there must be other economic activities lagging behind the average rate of productivity growth. This lag is particularly apparent in the case of personal services such as childcare where the “product” may hardly be disentangled from the presence of a human. In the words of William Baumol, childcare appears to be “technologically stagnant,” just like a string quartet.⁴

The fact that productivity growth is “unbalanced” tends to manifest itself through changes in the relative price of products.⁵ As many manufactured goods become more affordable over time, personal services get more expensive in relative terms. Once upon a time, it cost more money to buy a pair of scissors than to visit a barber while the opposite tends to be the case today.

1 Charles M. Gray, “Baumol’s cost disease,” in *The New Palgrave Dictionary of Economics*, eds. Matias Vernengo, Esteban Perez Caldentey & Barkley J. Rosser Jr (London: Palgrave Macmillan, 2020), online version accessed January 13, 2024; James Heilbrun, “Baumol’s cost disease,” in *A Handbook of Cultural Economics*, 2nd ed., ed. Ruth Towse (Cheltenham: Edward Elgar Publishing, 2011), 67–75.

2 “Baumol effect,” in *A Dictionary of Climate Change and the Environment*, R. Quentin Grafton, Harry W. Nelson, N. Ross Lambie & Paul R. Wyrwoll (Cheltenham: Edward Elgar Publishing, 2012), online version accessed January 13, 2024.

3 “Baumol’s law,” in *Oxford Dictionary of Economics*, Nigar Hashimzade, Gareth Myles & John Black (Cheltenham: Edward Elgar Publishing, 2017), online version accessed January 13, 2024.

4 William J. Baumol & William G. Bowen, *Performing Arts: The Economic Dilemma: A Study of Problems Common to the Theater, Opera, Music and Dance* (New York: The Twentieth Century Fund, 1966), 164.

5 This is based on an additional assumption, namely that we live in a more or less capitalist society where there is one single market for the necessities of life and where individuals are able to choose between jobs in different industries. Accordingly, the wage level cannot diverge *too* much between industries.

This is a historical trajectory that can be understood almost intuitively, even by someone without any formal training in economics. It boils down to the simple fact that human time is a scarce resource⁶ – something that in itself may hardly be seen as paradoxical or pathological. Yet, the concept of “Baumol’s cost disease” has turned out to be very attractive for economists and laymen alike. The metaphor of a “disease” has a long history in Western economic thought.⁷ Apparently, it may provide an opportunity to talk about the economic roots of looming social or cultural crises.

In this article, I trace the reception and circulation of “Baumol’s cost disease” (BCD) in Sweden, focusing on the period 1968–1991. One reason for choosing Sweden as a case is that much of William Baumol’s own work on the cost disease was actually carried out in Sweden. As shown in section 5 below, he spent time as a visiting researcher in Stockholm around 1970 and interacted with Swedish actors both within and outside academia.

Furthermore, Sweden at the time was an expansive welfare state as well as a country where the push for increased productivity was institutionalized by central wage bargaining. The so-called “solidarity wage policy” sought to preclude the growth of a low-wage service sector. Hence, Sweden could in theory be expected to confront the effects of the cost disease earlier and more directly than other countries in which uneven productivity growth was allowed to manifest itself in the form of rising wage inequalities between different industries.⁸

In an influential study on the emergence of different “postindustrial employment regimes,” sociologist Gøsta Esping-Andersen compared data from Sweden, Germany and the US from the 1960s until the 1980s. America’s postindustrial job growth mostly occurred in the private service sector, particularly in entertainment, restaurants and tourism. On the other hand, “Sweden’s postindustrialism lies in the welfare state edifice,” as Esping-Andersen concluded in 1991. Most new jobs created in Sweden had gone to women in healthcare, education and other public sector services. This resulted in the Swedish labor market being much

6 Roy Harrod, “The possibility of economic satiety: Use of economic growth for improving the quality of education and leisure,” in *Problems of United States Economic Development* (New York: Committee for Economic Development, 1958), Volume I, 207–213; Fred Hirsch, *Social Limits to Growth* (Cambridge: Harvard University Press, 1976), 23–24.

7 Daniele Besomi, “Crises as a disease of the body politic: A metaphor in the history of nineteenth-century economics,” *Journal of the History of Economic Thought* 33, no. 1 (2011): 67–118.

8 Per-Anders Edin & Bertil Holmlund, “The Swedish wage structure: The rise and fall of solidarity wage policy?” in *Differences and Changes in Wage Structures*, eds. Richard B. Freeman & Lawrence F. Katz (Chicago: University of Chicago Press, 1995), 307–344.

more gender-segregated than the other two cases.⁹ Hence, this structural difference between the US and Sweden serves as an important context for the Swedish reception of the “cost disease.”

I do not try to answer whether Baumol was right about the cost disease, nor how the cost disease has affected the Swedish economy. In my view, the “cost disease” is not a clearly defined hypothesis and thus cannot be falsified.¹⁰ Here, it is rather understood as a *rhetorical device*. When emphasizing the rhetorical component of economic knowledge, I am taking a cue from Deirdre McCloskey’s influential study *The Rhetoric of Economics*.¹¹ She argues that the use of metaphors is an inherent feature of economics as a science. Not every metaphor merely serves an “ornamental” purpose. Indeed, according to McCloskey, economic models already represent a form of “nonornamental metaphors.”¹²

As a rhetorical device, BCD refers to, but is not identical to, the simple fact that productivity does not increase evenly. Starting off from this observation, a two-step operation is required to arrive at the “cost disease.” First, a highly simplified model is presented of an economy consisting of two sectors: one in which productivity does increase over time and another where it does not. This is where the above-mentioned analogy of a string quartet is often used to illustrate how some activities cannot be rendered more productive by using new technology. In the second step, the resulting changes in relative prices are said to be a problem or even a pathology. Baumol came to employ the medical metaphor of “disease.” This particular combination of a two-sector model and a medical metaphor is what characterizes BCD. Furthermore, every time the “cost disease” is attributed to the famous economist William Baumol, this in itself constitutes a third kind of rhetorical operation, known as the “appeal to authority.”¹³ In other words, on a closer look, the rhetorical device I study turns out to be a specific combination of several simple devices.

Accordingly, I ask how BCD has *been made relevant* by a variety of actors and how this helped articulate different social and political visions. My focus is not on internal intellectual developments in the discipline of economics but on the circulation and perception of economic knowledge between academia, policymaking and

9 Gøsta Esping-Andersen, “Three postindustrial employment regimes,” *International Journal of Sociology* 21, no. 2 (1991): 149–188.

10 To see why BCS is *not* a clearly defined hypothesis, we only need to compare the divergent explanations provided by scholarly dictionaries, such as the ones referred to in footnotes 1–3.

11 Deirdre N. McCloskey, *The Rhetoric of Economics*, 2nd ed. (Madison: University of Wisconsin Press, 1998).

12 McCloskey, *Rhetoric of Economics*, 13, 19, 40–44.

13 McCloskey, *Rhetoric of Economics*, 36–37, 170.

the public sphere. “Knowledge” is here understood as something moving and malleable. Importantly, it is not defined in relation to truth: as long as some actors find that a claim is relevant for understanding the world, it counts as knowledge.¹⁴

My main sources are major Swedish newspapers and governmental committee reports (SOU). Searching this material for the period 1965–2015, I was initially able to identify about one hundred newspaper articles, as well as a few dozen reports.¹⁵ From all these sources, I have also followed references to books, magazine articles and other printed sources, which were subsequently also included in the empirical study.

As mentioned above, my main focus is on the period 1968–1991: a time when the Swedish postindustrialization process took the shape of a growing public sector, coupled with a growing sense of crisis for the welfare state due to the increasing costs of maintaining it. Against this background, it is particularly interesting to examine the appeal of “disease” as a metaphor. For additional context, I have also decided to include a prelude on the 1950s and a postlude covering the period of restructuring the Swedish welfare state, beginning with the financial crisis in the early 1990s.

2 Prelude: Swedish Predecessors in the 1950s

Already in the mid-1950s, one decade before Baumol, a group of Swedish economists were discussing the long-term consequences of unbalanced growth. Ragnar Bentzel, Jan Wallander and Erik Höök all worked at the Swedish industry’s economic research institute (IUI), which had just initiated a major study on trends in Swedish consumption.¹⁶ Bentzel soon noticed a decline over time in the volume of personal services consumed by households. He presented this as a curious side

¹⁴ For a general overview of the history of knowledge and the significance of circulation as a concept for this field, see Johan Östling, “Circulation, arenas, and the quest for public knowledge: Historiographical currents and analytical frameworks,” *History and Theory* 59, no. 4 (2020): 111–126.

¹⁵ Both these newspapers and the SOU reports have been digitized by Sweden’s National Library. The search terms used included the name “Baumol,” “cost disease” [*kostnadssjuka*] and other variants. As I identified key phrases and actors in the material, further searches were performed in an attempt to also find implicit references to BCD. Some of the references to William Baumol concerned other elements of his work unrelated to BCD.

¹⁶ Ragnar Bentzel, ed., *Den privata konsumtionen i Sverige 1931–65* (Stockholm: Industriens utredningsinstitut, 1957); Jan Wallander, *Livet som det blev. En bankdirektör blir till* (Stockholm: Bonnier, 1997), 288–292.

effect of rising material standards: if a service lags behind the average rate of productivity growth, it will become increasingly expensive until it is priced out of the market.¹⁷

In a 1956 lecture, Bentzel even illustrated this by means of a kind of science fiction story. In a future Sweden, after a few hundred years of growth, society will be incredibly affluent. Even a simple worker “will be able to afford to throw away his private jet every time it runs out of gas, but he will not be able to afford a domestic servant.”¹⁸ Throwing things away instead of repairing them seemed like a rational lifestyle in a world where goods become cheaper, while time remained scarce and expensive. Jan Wallander appeared on Swedish television in 1961 to defend “slit-och-släng” [*throwawayism*] against its critics, whose arguments he dismissed as just “a moral lag.” The notion that it is virtuous to patch up and repair broken goods was, in his view, a relic from “a time when capital goods were expensive and scarce, but cheap labor was plentiful.” This situation had now been inverted, something which current morals had to adapt to. What is wasteful, Wallander claimed, was not throwing away goods but to waste expensive time on repairing them.¹⁹ The historical demise of personal services – later to be known as the cost disease – was not yet pathologized but rather affirmed as an inherent feature of modern life.

In his 1962 doctoral thesis, Erik Höök sought to explain the growth of the public sector. To that end, he first presented a simplified model of a two-sector economy, in which only one sector may enjoy increased productivity over time. This is exactly the same kind of model serving as the point of departure for BCD, as I defined it in the introduction. However, Höök did not employ the medical metaphor of disease. He also was quick to point out why such a model in reality is too static, as it ignores the possibility that a service might qualitatively change over time. Interestingly, Höök even pointed to *theatre* as an example of such a malleable service.²⁰ He most likely was not aware that on the other side of the Atlantic, two colleagues had just initiated a large study focusing on precisely the economics of theatre.

17 Bentzel, *Den privata konsumtionen*, 11–12; Ragnar Bentzel, *Samhällsproblem vid ekonomisk expansion* (Stockholm: Svenska bankföreningen, 1962).

18 Ragnar Bentzel, “Tendenser i vår konsumtionsutveckling,” *Vårt Ekonomiska Läge* (1956), 87–95.

19 Wallander, *Livet som det blev*, 288–292; Jan Wallander, “Skrotmakarna,” *Svenska Dagbladet*, January 17, 1961; Orsi Husz, “The morality of quality: Assimilating material mass culture in twentieth-century Sweden,” *Journal of Modern European History* 10, no. 2 (2012): 152–181.

20 Erik Höök, *Den offentliga sektorns expansion: En studie av de offentliga civila utgifternas utveckling åren 1913–58*, diss. (Stockholm: Almqvist & Wiksell, 1962), 28–39.

3 Across the Atlantic: The Pathologization of Unbalanced Growth

Around 1960, William Baumol was commissioned by a think tank to study the economic situation of the performing arts in the United States. His younger colleague William Bowen was put in charge of the vast empirical groundwork. Over several years, data was collected from a large number of theatre companies, opera houses and philharmonic orchestras.²¹ The study resulted in a 600-page book, published in 1966 with the title *Performing Arts: The Economic Dilemma*.²² It received a great deal of publicity, with front-page stories not only in major US newspapers but even in the Soviet *Pravda*. Today, the book is seen as having founded “cultural economics” as a distinct field of study.²³

Baumol and Bowen were certainly not the first to apply economic analysis to the arts, but the empirical scope of their study made it stand out. It also introduced a potent trope: “Let us imagine an economy divided into two sectors, one in which productivity is rising and another in which it is constant, the first producing automobiles, and the second, performances of Haydn trios.”²⁴ The authors made no claim that this model represented a theoretical innovation. On the contrary, they pointed out: “There is nothing new in these observations on the effects of differential rates of productivity change on costs and prices.”²⁵ Baumol and Bowen explicitly pointed to a 1959 paper by economists Anne and Tibor Scitovsky discussing the same phenomenon of unbalanced productivity growth with regard to its various political, cultural and psychological implications. The performing arts were mentioned by the Scitovskys as one of several fields of human activity where the need for public subsidies would only increase over time.²⁶

²¹ William J. Baumol, “On the career of a microeconomist,” in *Recollections of Eminent Economists: Volume 2*, ed. Jan Allen Kregel (London: Palgrave Macmillan), 209–335.

²² Baumol & Bowen, *Performing Arts*.

²³ David Throsby, “Economic circumstances of the performing artist: Baumol and Bowen thirty years on,” *Journal of Cultural Economics* 20, no. 3 (1996): 225–240; Gregory Besharov, “The outbreak of the cost disease: Baumol and Bowen’s founding of cultural economics,” *New Political Economy* 37, no. 3 (2005): 412–430; Bruno S. Frey & Andre Briviba, “Two types of cultural economics,” *International Review of Economics* 70, no. 1 (2023): 1–9.

²⁴ Baumol & Bowen, *Performing Arts*, 167–168. The earliest version of this trope can be found in William J. Baumol & William G. Bowen, “On the performing arts: The anatomy of their economic problems,” *The American Economic Review* 55, no. 1–2 (1965): 495–502.

²⁵ Baumol & Bowen, *Performing Arts*, 167; see also Baumol & Bowen, “On the performing arts,” 499.

²⁶ Anne Scitovsky & Tibor Scitovsky, “What price economic progress?” *Yale Review* 49, no. 1 (1959): 95–110.

So, while Baumol cannot be said to have made a new discovery, he picked up an existing argument on differential productivity growth and gave it a simple and powerful rhetorical structure. He postulated a binary model of an economy only consisting of two sectors: one sector consisting of “the typical manufacturing industry” and the other sector represented by live performances of a Schubert string quartet. The latter was then said to be “technologically stagnant,”²⁷ thus destined for a “perpetual crisis.”²⁸ Indeed, Baumol and Bowen had intended to name their book “The Permanent Crisis of the Arts” but were dissuaded by the sponsors of the project who were afraid that the reference to “crisis” would sound too ominous.²⁹

A year after the book was published in 1967, Baumol applied the same model on a broader segment of the economy in a paper on “the anatomy of urban crisis.” One sector was now defined as “technologically progressive” while the other was defined as “nonprogressive” (i.e., what had previously been referred to as “stagnant”). In the first sector, “labor is primarily an instrument,” while in the other sector, “the labor is an end in itself,” meaning that “quality is judged directly in terms of amount of labor” and that it is impossible to reduce the number of hours worked without a degradation in quality.³⁰ Baumol noted that a lot of public services belong to this nonprogressive sector, including schools, hospitals and the police. Even if the level of quality was to be kept constant, providing these services would become increasingly expensive over time. According to Baumol, this could explain much of the financial troubles already experienced by local governments in the US. The conclusion was sobering, almost fatalist: “This is a trend for which no man and no group should be blamed, for there is nothing that can be done to stop it.”³¹

Commenting on this paper, economist Alice Vandermeulen coined the term “Baumol’s disease,”³² which William Baumol himself was quick to pick up.³³ The introduction of this metaphor amounted to a *pathologization* of unbalanced

27 Baumol & Bowen, *Performing Arts*, 164.

28 Baumol & Bowen, *Performing Arts*, 302.

29 William J. Baumol, “The permanent crisis of the arts,” transcript of a speech held at the Stockholm Concert Hall, printed in *Konsertföreningen i Stockholm*, “Styrelsens berättelse för verksamhetsperioden 1 juli 1972 – 30 juni 1973” (volume B1, *Konsertföreningens i Stockholm arkiv*, National Archives of Sweden).

30 We may here note that an additional feature of many personal services concerns the fact that it is impossible to make a clear distinction between the quantity and the quality provided.

31 William J. Baumol, “Macroeconomics of unbalanced growth: The anatomy of urban crisis,” *The American Economic Review* 57, no. 3 (1967): 415–426.

32 Alice Vandermeulen, “A remission from Baumol’s disease: Ways to publish more articles,” *Southern Economic Journal* 35, no. 2 (1968): 189–191.

33 William J. Baumol, “Macroeconomics of unbalanced growth: Comment,” *The American Economic Review* 58, no. 4 (1968): 896–897.

growth. The implicit suggestion was that a “healthy” economy could only be achieved when productivity grows at an even rate everywhere. Naming it a “disease” also opened the door for recurrent discussions on the possibility of finding a “cure,” regardless of the fact that Baumol himself believed that the cost disease was chronic.

4 Economic Eschatology

William Baumol’s earliest publications on the cost disease were first presented to a Swedish public in the middle of 1968. “Economic eschatology” was the title of a rather unorthodox essay in the newspaper *Svenska Dagbladet*.³⁴ It was written by Staffan Burenstam Linder, an economist who only a few weeks later was to be elected to the Swedish parliament for the right-wing Moderate Party. A decade later, he would become minister of commerce.³⁵

Eschatology designates the part of theology focusing on the *end*, be it the end of an individual life, the end of an era or the end of the world. Matters of salvation and damnation are at the center of Christian eschatology. Accordingly, Linder’s essay discussed the prospects for establishing an “economic heaven” on earth.³⁶ His proposal that economists should start asking the same kind of questions asked by theologians could be seen as prefiguring the twenty-first century emergence of “economic theology” as a research field³⁷ with “economic eschatology” as a sub-field.³⁸ Anyhow, the conclusion reached by Linder in 1968 was that economic growth should *not* be understood as a path leading to “heaven” and that economists need to start questioning growth: which problems it is actually able to solve, which new problems it may cause and whether it is about to come to an end.

34 Staffan Burenstam Linder, “Ekonomisk eskatologi,” *Svenska Dagbladet*, August 3, 1968.

35 Mats Lundahl, “Ekonomporträtt: Staffan Burenstam Linder – en fritänkare,” *Ekonomisk Debatt* 33, no. 3 (2005): 40–54.

36 Linder, “Ekonomisk eskatologi.”

37 In a useful review, Enrico Beltramini argues that economic theology is “a somewhat ill-named field” defined differently by different scholars. It may either be framed “in terms of analogies and conceptual exchanges between the two fields of theology and economy” or as a philosophical method for analyzing the liberal order and the deeper causes of its crisis. See “Economic theology: Is economy a subfield of theology?” *Ephemera* 21, no. 3 (2021): 217–227.

38 Sigmund Wagner-Tsukamoto, “Eschatology and eschaton,” in *The Routledge Handbook of Economic Theology*, ed. Stefan Schwarzkopf (Abingdon: Routledge, 2020), 28–35.

Linder pointed at two specific limits to growth. The first limit was ecological: finite natural resources. However, he also saw another finite resource, namely “our *time*, our twenty-four hours per day.” The essay presented William Baumol’s work as an important contribution for understanding the implications of “the rising price of time.”³⁹ Linder did not only see this as affecting the *production* of goods and services – from healthcare to the arts – but he also reflected on the increasing lack of time to spend on *consumption*. In the sphere of leisure, the arts also had to compete with a multitude of other activities that had become more widely available thanks to the mass production of cheap goods.

For these reasons, Linder’s 1968 essay criticized the widespread notion of an emerging “affluent society” and the idea that economic growth “brings us ever closer to an economic heaven.” The essay ended with a recommendation to policymakers to focus less on economic indicators such as GDP and more on alternative measures of human well-being.⁴⁰ It should be noted that this was still several years before the critique of economic growth was popularized, and the concept of “degrowth” was established in 1972.⁴¹ Not only was Linder early to formulate such a critique, he also did so from a political perspective different from that of many left-leaning degrowthers in the 1970s.

In fact, “Economic eschatology” reads like a synopsis of the hugely influential book that Staffan Linder would go on to publish soon after: *The Harried Leisure Class* (1970).⁴² Here, he added numerous examples from everyday life so that any reader was able to grasp his main thesis: as we get richer, we also get time poor. In his extensive list of references, Linder presented this analysis as largely being based on the work of two US-American economists: first Gary Becker’s household economics followed by Baumol’s analysis of the cost disease.⁴³

According to sociologist Jiri Zuzanek, *The Harried Leisure Class* represented somewhat of a watershed in the public perception of leisure. The 1960s had been filled with expectations regarding a coming “leisure society,” but in the 1970s, the discussion instead started to focus on the lack of time.⁴⁴

39 Linder, “Ekonomisk eskatologi.”

40 Linder, “Ekonomisk eskatologi.”

41 41 “Introduction: Degrowth,” in *Degrowth: A Vocabulary for a New Era*, eds. Giacomo D’Alisa, Federico Demaria & Giorgos Kallis. (Abingdon: Routledge, 2014), 1–17.

42 Staffan Burenstam Linder, *The Harried Leisure Class* (New York: Columbia University Press, 1970). This book was originally written in English but first published in Swedish: *Den rastlösa välfärdsmänniskan: Tidsbrist i överflöd – en ekonomisk studie* (Stockholm: Bonnier, 1969).

43 Linder, *Harried Leisure Class*, 9, 45–46, 105–106, 157, 163–165, 168–171.

44 Still to this day, *The Harried Leisure Class* remains widely cited in sociology and business management. For a sociological homage to Staffan Linder as a “cultural rather than economic”

In 1970s Sweden, *The Harried Leisure Class* also helped popularizing the notion of unbalanced growth as a key for understanding long-term social and cultural change. As an example, art critic Ulf Hård af Segerstad wrote an essay in 1973 on the decline of craft-based arts such as pottery and woodwork. He concluded that “it’s an ever-increasing price for time, which inexorably displaces those activities that require a lot of time.”⁴⁵ This was written with reference to Linder, albeit without mentioning Baumol, thus demonstrating how one piece of economic knowledge could take on more than one form, circulating at the same time.

While Linder was heavily influenced by Baumol, he developed his own way of presenting the matter, which mostly did *not* rely on the particular combination of a model and a metaphor by which I have characterized BCD. At times, Linder leaned toward an almost existentialist meditation on the finitude of individual lives, citing being influenced by the novelist Aldous Huxley.⁴⁶ Linder’s distinctive interpretation of BCD would continue to fascinate readers for a long time, and further examples are presented below in section 7.

5 William Baumol in Stockholm

William Baumol spent the fall of 1968 as a visiting researcher at the Stockholm School of Economics. He returned to Stockholm for a longer stay in the early 1970s and became a personal friend of Swedish economists Bertil Ohlin, Erik Lundberg and Assar Lindbeck.⁴⁷

During his years in Stockholm, Baumol wrote an additional three papers on the cost disease, all printed in Swedish publications. The first one (together with Mary I. Oates) was historical: “On the economics of the theater in renaissance London”; in other words, a study of cultural economics *before* the onset of a serious cost disease. The economic conditions for performing arts were found to in certain ways having been better at the time of Shakespeare – with its much lower levels of productivity and wages – than in modern industrial society. The same paper also included a brief discussion on *The Harried Leisure Class*, concluding on a note very much in line with Linder’s critique of growth: “economic prosper-

theorist, see Hartmut Rosa & William E. Scheuerman, *High-Speed Society: Social Acceleration, Power and Modernity* (University Park: Pennsylvania State University Press, 2009), 9, 85.

⁴⁵ Ulf Hård af Segerstad, “Skall konsthantverket överleva?” *Svenska Dagbladet*, May 22, 1973.

⁴⁶ Linder, *Harried Leisure Class*, 95–96, 145.

⁴⁷ William J. Baumol, “Erik Lundberg, 1907–1987,” *The Scandinavian Journal of Economics* 92, no. 1 (1990): 1–9.

ity does not automatically bring with it all the things that are usually taken to contribute to the ‘quality of life,’ such as fine arts.⁴⁸ The circulation of knowledge clearly went both ways: first by Baumol influencing Linder, followed by Linder influencing Baumol.

Baumol’s examination of the cost disease was broadened during his years in Stockholm, and it seems probable that this broadening to some degree was influenced by Linder. The next paper, which Baumol co-authored with W. E. Oates, was titled “The cost disease of the personal services and the quality of life.” It was published in 1972, both in English and Swedish, in the quarterly journal of a major Swedish bank. This text was to become the most frequently cited publication in the 1970s Swedish reception of BCD.⁴⁹ It has also been referenced by international scholars, but much less frequently.⁵⁰

The core argument here was the same as in Baumol’s 1968 paper on “urban crisis.” This time, however, the cost disease was discussed within a more sociological framework and with a new emphasis on contingency. For each and every “non-progressive” activity beset by the cost disease, Baumol and Oates identified four possible ways forward. First, the activity may become an increasingly expensive luxury for the few or disappear from the market altogether. Examples included domestic servants, as well as certain crafts, such as making furniture by hand. Second, there are cases in which the quality of a service will be “allowed to deteriorate progressively.” This might mean larger classes in schools or shorter rehearsal periods in theatres. Third, a service profession may over time be replaced by unpaid amateur activities, which has not been uncommon in the sphere of culture. Another example mentioned by Baumol and Oates was shaving: cheaper industrial products have allowed people to shave themselves at home instead of visiting a professional barber. Finally, the public may step in with sufficient subsidies to maintain a given service at a constant quantity and quality, even if this will become increasingly expensive.⁵¹

So even though Baumol and Oates saw “no real cure” for the cost disease, they suggested that there were still different ways of addressing this. If society

48 Mary I. Oates & William J. Baumol, “On the economics of the theater in renaissance London,” *The Swedish Journal of Economics* 74, no. 1 (1972): 136–160.

49 William J. Baumol & W. E. Oates, “The cost disease of the personal services and the quality of life,” *Skandinaviska Enskilda Banken Quarterly Review* no. 2 (1972): 44–54. The journal, including this paper, was also simultaneously published in a Swedish version.

50 Google Scholar includes about one hundred references to the paper by Baumol and Oates, mostly from the twenty-first century. It is worth noting, however, that this paper has never been republished and is still absent from all digital research repositories.

51 Baumol & Oates, “Cost disease,” 49; cf. Baumol, “Macroeconomics of unbalanced growth,” 422.

could only realize the long-term dynamics at play, it would still be possible to choose between different political visions. This conclusion appears far less fatalistic than the emphasis on “permanent crisis” in Baumol’s previous writing on the cost disease.⁵²

As soon as this paper by Baumol and Oates had been published, each of the two morning newspapers in Stockholm dedicated a full editorial to discuss its political implications. According to the right-wing *Svenska Dagbladet*, Baumol and Oates had written “a powerful plea for granting the public sector more resources.” Likewise, liberal *Dagens Nyheter* argued that it had proven that in an advanced economy, “a growing public sector is a natural feature.” Both newspapers described the argument presented by Baumol and Oates as undisputable in itself. We must learn to accept the rising cost of maintaining a welfare state, *Svenska Dagbladet* argued, but the solution must not be to raise taxes, but rather to accelerate economic growth in order to increase the tax base. If, however, this was still not sufficient, the last resort should be to start charging fees for the use of healthcare and other public services. *Dagens Nyheter* did not go this far but concluded that “it will become necessary for politicians to draw a limit as to which services will be provided by the public sector.”⁵³ (Here, it may be noted that ten years prior, *Dagens Nyheter* had presented an identical argument, also in relation to the long-term consequences of unbalanced productivity growth – but this time with reference to Bentzel, not Baumol.⁵⁴)

These examples show how a liberal critique of the Swedish welfare state could be articulated by reference to BCD. However, this critique differed fundamentally from the neoliberal rejection of the welfare state as such represented by thinkers such as Friedrich Hayek, who in 1974, to many people’s great surprise, was awarded the Nobel Memorial Prize in Economics. (Someone who had played a decisive role in the choice of Hayek was the chairman of the prize committee, Assar Lindbeck, who at the time had a close personal relationship with William Baumol, as mentioned above.⁵⁵)

The Hayekian critique of the welfare state argued that central planning posed a danger to individual freedom. Instead of public welfare, this critique pro-

⁵² Baumol & Oates, “Cost disease,” 52–54.

⁵³ “H Gabler och G Sträng,” *Dagens Nyheter*, July 16, 1972; “Tjänstesektorn,” *Svenska Dagbladet*, August 1, 1972.

⁵⁴ “Brigitte Bardots like?” *Dagens Nyheter*, October 30, 1962; cf. Bentzel, “Samhällsproblem,” 10–11.

⁵⁵ Avner Offer & Gabriel Söderberg, *The Nobel Factor: The Prize in Economics, Social Democracy, and the Market Turn* (Princeton: Princeton University Press, 2016), 174–188.

moted the principle of individual consumer sovereignty.⁵⁶ But it was not until the late 1970s that this type of neoliberal critique truly started to take hold in Swedish debates.⁵⁷

In the early 1970s, “Baumolian” critique was much more modest. It did not claim that the postwar expansion of the welfare state had been a mistake, nor did it openly call for dismantling it. The liberal opinionmakers quoted above simply argued that due to rising relative costs, the existing welfare state could only be maintained if it did not expand into additional areas. The public sector could only take responsibility for *some* victims of the cost disease (i.e., only provide the most necessary personal services). After all, what Baumol and Oates had demonstrated in their 1972 paper was that public subsidies were just *one* of several possible ways of managing BCD.

6 Baumol and Swedish Cultural Policy

William Baumol’s time in Stockholm happened to coincide with the Swedish process of developing a much more ambitious cultural policy. An expert committee appointed by the government began its work in early 1969. Its final report, delivered in 1972, mapped out the need for subsidies in the different arts. On the basis of this, a new set of cultural policies were enacted in 1974.⁵⁸

According to a newspaper report, William Baumol was engaged as a “consultant” by this committee,⁵⁹ but it remains unclear which actual contributions he might have made. The final committee report briefly referred to *Performing Arts: The Economic Dilemma* but without explicitly discussing the cost disease.⁶⁰ Indeed, it is worth noting that at the very beginning, Sweden’s new system for cul-

56 Niklas Olsen, *The Sovereign Consumer: A New Intellectual History of Neoliberalism* (Cham: Palgrave Macmillan, 2019).

57 Jenny Andersson, “The Freedom Front and the welfare state counter revolution,” *Journal of Political Ideologies* 28, no. 3 (2023): 1–21.

58 Statens kulturråd, “Ny kulturpolitik: 1. Nuläge och förslag,” Swedish Government Official Report SOU 1972:66; Tobias Harding, “Nationalising culture: The reorganisation of national culture in Swedish cultural policy 1970–2002” (Diss., Linköping University, 2007), 111–155; My Klockar Linder, “Kulturpolitik: Formeringen av en modern kategori” (Diss., Uppsala University, 2014), 101–107, 131–149.

59 Sigvard Hammar, “Kulturens penningkris – kan bara botas politiskt,” *Dagens Nyheter*, February 27, 1973.

60 Statens kulturråd, “Ny kulturpolitik,” 499.

tural subsidies was *not* presented as a remedy for problems caused by unbalanced productivity.

However, this would change within a few years, and Baumol would be canonized in the context of Swedish cultural policy. Subsequent committee reports addressing public support for film, theatre and orchestras all emphasized the cost disease as a key concept for understanding the need for public subsidies.⁶¹

In early 1973, the Stockholm Concert Hall opened its doors once again after several years of renovations. A seminar on cultural economics was organized as part of the opening celebrations with William Baumol giving a keynote speech titled “The permanent crisis of the arts.”⁶² In front of the king of Sweden and the cultural elite, Baumol first emphasized that he only spoke as a simple economist, without any aesthetic expertise, yet he also recommended a recent article in *Dagens Nyheter* for its “beautiful discussion” regarding the value of opera as an art form.⁶³ He then proceeded to present the fundamental dynamics of the cost disease and why the artists should not be blamed for the rising costs of art. Baumol mentioned that as an economist, he could “be dependent upon to advocate the use of the market mechanism” but also acknowledged that there was a limit in terms of what the market could achieve, thus also a need for public subsidies for the arts. The final sentence in Baumol’s speech was to be quoted frequently by Swedish commentators: “The crisis of the arts is permanent, but there is no reason for that crisis to be allowed to destroy the arts.”⁶⁴

Journalists with some surprise reported from this seminar that the US-American expert on cultural economics proved to be an optimist, after all. The message was that in a growing economy, there will always be enough money available for supporting the arts.⁶⁵ *Dagens Nyheter* quoted Baumol as saying: “The problem is not economic, but political.”⁶⁶

61 “Samhället och filmen: 4. Slutbetänkande,” Swedish Government Official Report SOU 1973:53, 154; “Teaterkostnadsutredningen. Teaterns kostnadsutveckling 1975–1990 med särskilda studier av Operan, Dramaten och Riksteatern,” Swedish Government Official Report SOU 1991:71, 137–142; “Den professionella orkestermusiken i Sverige,” Swedish Government Official Report SOU 2006:34, 59–60.

62 Baumol, “Permanent crisis.”

63 “Opera – varför?” *Dagens Nyheter*, January 19, 1973. Baumol’s reference to this article indicates that he at around this time was probably also well-aware of how his own writings were received by Swedish columnists.

64 Baumol, “Permanent crisis.”

65 “Kulturen – vad kostar den?” *Expressen*, December 12, 1972; Leif Aare, “Konsertföreningen firar,” *Dagens Nyheter*, January 1, 1973.

66 Sigvard Hammar, “Kulturens penningkris – kan bara botas politiskt,” *Dagens Nyheter*, February 27, 1973.

Nils Wallin, a musicologist and director of the Stockholm Concert Hall, would publish several essays stressing the significance of BCD for realizing the need for generous public funding for the arts.⁶⁷ Two or three decades later, the same kind of argument, with reference to William Baumol, would still be commonplace in debates on Swedish cultural policy. The bottom line of Baumol's keynote speech was repeatedly quoted by cultural commentators as a slogan in favor of heavy subsidies for cultural activities.⁶⁸ In other words, what would echo in discussions on cultural policies was a relatively optimistic interpretation of BCD.

7 The Utopia of Amateurism

Responding to the critique of the Swedish welfare state, some thinkers were apparently attracted to the notion of finding an alternative third way, beyond both state and market. In the 1980s, such visions were thriving in the vicinity of the newly founded Green Party and were articulated in reference to a particular interpretation of BCD.

A leading intellectual in this context was Lars Ingelstam, a mathematics professor and social democrat, who in 1973 had become the first director of Sweden's new Secretariat for Futures Studies. Historians have recently highlighted the conflicts surrounding the establishment of futures studies as a field in both Sweden and elsewhere. Leftists such as Ingelstam objected to the concept of technocratic forecasting, instead envisioning a kind of public science seeking to present a plurality of alternative futures and thus inviting democratic dialogues.⁶⁹

⁶⁷ Nils Wallin, "Konserthuset i konkurs?" *Svenska Dagbladet*, January 14, 1975; Nils Wallin, "Baumols sjukdom – hjärnspöke eller realitet?" *Svenska Dagbladet*, March 21, 1976; Nils Wallin, "Erkänn musiken! Tendenser från 50-talet mot ett musikaliskt systemsamhälle," *Svensk tidskrift för musikforskning* no. 1 (1980): 7–39.

⁶⁸ Mikael Strömberg, "Konsten att (inte) bygga ett konserthus," *Aftonbladet*, October 10, 1995; Ingrid Elam, "Barnvagnar och principer," *Göteborgs-Posten*, May 11, 1997; Mikael Strömberg, "Det stora blå," *Aftonbladet*, January 21, 1998; Tobias Nielsén, "Vem pinar fiolen?" *Expressen*, May 19, 2000; Mikael Strömberg, "Fattigmansrapporten," *Aftonbladet*, November 11, 2003.

⁶⁹ Jenny Andersson, "Choosing futures: Alva Myrdal and the construction of Swedish futures studies, 1967–1972," *International Review of Social History* 51, no. 2 (2006): 277–295; Jenny Andersson & David Larsson Heidenblad, "Thinking the human system: The application of humanities and social science reasoning to societal problems," in *The Humanities and the Modern Politics of Knowledge: The Impact and Organization of the Humanities in Sweden, 1850–2020*, eds. Anders Ekström & Hampus Östh Gustafsson (Amsterdam: Amsterdam University Press, 2022), 207–230; Karl Haikola, "Framtidens fragmentering: Sekretariatet för framtidsstudier och välfärdssamhällets dilemman under det långa 1970-talet" (Diss., Lund University, 2023).

Ingelstam would during his years as director of the Secretariat become renowned for his radical proposals, such as reducing the consumption of meat and banning private cars in cities. In 1980, he left the Secretariat after the liberal government had decided to reorganize it. He spent the 1980s at Linköping University as a professor of technology and social change. Here, he also developed an alternative reading of BCS.

Ingelstam identified a great paradox in industrial society: in the long run, no abundance of material goods can pay for essential services like culture, education and healthcare. However, he found no reason for pessimism in this predicament: “Assuming that we want a future economy that accommodates human services and humanistic values, there *must* be a way to trick the market and put reason above the economic ‘laws’. I see great opportunities in organized cooperation outside of the monetary economy, cooperation, self-management, perhaps community service.”⁷⁰

In other words, Ingelstam’s preferred solution to BCD would be to gradually phase out the monetary economy. The future for many of the diseased services would be as unpaid amateur activities. After all, amateurization had been one of the four alternative pathways highlighted by Bauol and Oates in 1972. Ingelstam drew further inspiration from social scientists such as Jiří Skolka and Jonathan Gershuny, who in the 1970s put forth ideas of an emerging “self-service society.”⁷¹ While these ideas had focused on ongoing changes in the everyday life of private households, Ingelstam took them further when he proposed the partial amateurization of culture, education and healthcare. To make this possible, he emphasized that it was necessary to reduce the volume of wage labor, starting with the introduction of a 6-hour working day. Some of the responsibilities of the welfare state could then be transferred to what he referred to as “the informal sector.”

Economic historian Aaron Benanav has traced how this concept was established in the 1970s. The International Labor Organization played a decisive role here, whose definition of the informal sector included “both workers with insufficient employment and employers with profit-making enterprises.”⁷² For Ingelstam, however, informality had different connotations. His primary interest was

⁷⁰ Lars Ingelstam, “Varför har vi inte råd med tjänster?” *Stockholms-Tidningen*, June 2, 1982. Bold style has here been changed into italics.

⁷¹ Jiří Skolka, “The substitution of self-service activities for marketed services,” *Review of Income and Wealth* 22, no. 4 (1976): 297–304; Jonathan Gershuny, *After Industrial Society? The Emerging Self-Service Economy* (London: Macmillan, 1978); Lars Ingelstam, *Arbetets värde och tidens bruk: En framtidsstudie* (Stockholm: Liber, 1980).

⁷² Aaron Benanav, “The origins of informality: The ILO at the limit of the concept of unemployment,” *Journal of Global History* 14, no. 1 (2019): 107–125.

in forms of collaboration and exchange occurring without any money changing hands. The informal sector, in his view, already included things such as childcare cooperatives and various forms of charity work. It just needed to be scaled up to unlock its great potential.

In addition, Ingelstam also proposed a more formalized system of mandatory community service: every member of society should be obliged to work for a certain time in “childcare, elderly care, the simpler forms of healthcare, food production and many other activities.”⁷³ Organized by the state, this would amount to a form of taxation in kind. Instead of raising the tax rate on monetary incomes, every citizen was to contribute equally by working the same number of hours for the common good. This is how the proposal was presented by Ingelstam’s close associate Christer Sanne, who in the late 1980s became another public advocate of degrowth.⁷⁴ Just like Linder before them, they developed their own set of analogies used to explain the implications of uneven growth. In most of the articles I have found, they are not quoted as explicitly referring to William Baumol or to the metaphor of a disease; in fact, the centrality of BCD for these visions is more apparent in their books.⁷⁵

Particularly in 1980–81, Lars Ingelstam seemed to appear everywhere in the media, presenting his vision of a growing informal economy. To many columnists at the time, this at least seemed like an interesting third way, transcending the old divide between left and right – as far away from socialism as from free-market liberalism.⁷⁶ (Whether this was an accurate description of Ingelstam’s po-

73 Stina Helmersson, “Vi har bara två vägar att välja!” *Aftonbladet*, May 23, 1983; see also Lars Ingelstam, “Varför har vi inte råd med tjänster?” *Stockholms-Tidningen*, June 2, 1982; Ingela Björk, “Ingelstams recept för fortsatt välfärd: Tio timmar samhällstjänst,” *Statstjänstemannen* 1994, no 10.

74 Christer Sanne, *Hur mycket arbete behövs?* (Stockholm: Statens råd för byggnadsforskning, 1989); Christer Sanne, “Hur vill vi arbeta?” *Aftonbladet*, December 10, 1989.

75 Lars Ingelstam, *Ekonomi för en ny tid: Lärobok om industrisamhället och framtiden* (Stockholm: Carlsson, 1995), 149–156; Christer Sanne, *Keynes barnbarn: En bättre framtid med arbete och välfärd* (Stockholm: Formas, 2007).

76 See, for example, Weje Sandén, “Lars Ingelstam i ny bok: Dags börja räkna med den dolda ekonomin,” *Svenska Dagbladet*, October 23, 1980; Kerstin Vinterhed, “Lars Ingelstam, fd framtidsforskare: ‘Politiker tänker kortsiktigt, de planerar bara till nästa val,’” *Dagens Nyheter*, July 27, 1980; Bertil Ekerlid, “Du är verksamhetslysten och aktiv, säger Ingelstam,” *Expressen*, November 3, 1980; Bernicus, “Svepet,” *Göteborgs-Posten*, November 9, 1980; Christian Swalander, “Visst finns det en framtid för den svenska ekonomin,” *GT*, February 2, 1981; Karl Erik Lagerlöf, “Informell ekonomi och ekonomisk demokrati. Fatta sitt liv,” *Dagens Nyheter*, April 22, 1981; Björn Gramh, “Chalmerister diskuterar tjänster och gentjänster,” *Göteborgs-Posten*, October 5, 1981; Lars Ingelstam, “Varför har vi inte råd med tjänster?” *Stockholms-Tidningen*, June 2, 1982; Bengt Rolfer, “Den folkliga klokheten – ett vapen mot Storebror,” *Aftonbladet*, January 24, 1983; Ann

litical vision is another question.) After the Social Democrats returned to power in 1983, it was even reported that the new deputy prime minister, Ingvar Carlsson, found inspiration in Ingelstam's reassessment of the informal economy.⁷⁷

"The new Swedish model" was the title of a 1986 programmatic article by Ingelstam published in the more theoretical journal of the Social Democratic Party.⁷⁸ However, his model for degrowth, described by some as "lingonberry-picking socialism," apparently did not receive any significant reactions from the Social Democrats.⁷⁹ There was greater enthusiasm in the Green Party, which had been founded in 1981 and shared Ingelstam's critique of economic growth.⁸⁰ Interviewed by the Green Party's journal, Ingelstam argued – without mentioning Baumol's name – that in the formal, monetary economy, "goods become cheaper while services become expensive." For this reason, "economic reason speaks for the further development of the informal sector." Relying on unpaid amateurs would not only provide welfare services at a low cost but also "restore the collective sense of life."⁸¹ After the Green Party was first elected to the Swedish parliament in 1988, Ingelstam was reported to serve as their informal advisor.⁸²

One of the early ideologues in the Green Party, Birger Schlaug, has indicated in retrospect that his political evolution was deeply shaped both by Ingelstam and by Linder's *The Harried Leisure Class*.⁸³ Schlaug also writes that during his

Svårding, "Framtidsforskare: Dela både jobben och hushållsmaskinerna," *Dagens Industri*, February 21, 1983; Stina Helmersson, "Vi har bara två vägar att välja!" *Aftonbladet*, May 23, 1983; Inga-Lisa Sangregorio, "Bör allt arbete vara lönearbete?" *Dagens Nyheter*, January 21, 1985; Gundel Wetter, "Envis optimismen Ingelstam: 'Det är dags att överge den svenska modellen'," *Göteborgs-Posten*, April 7, 1985; Ulla Herlitz, "Informellt arbete för regional balans," *Göteborgs-Posten*, May 30, 1985; Åke Lundquist, "En spännande berättelse om jobben i framtiden," *Dagens Nyheter*, October 20, 1985.

⁷⁷ Anders Kilner, "Ny idé från Ingvar C gynnar privat service," *Göteborgs-Posten*, January 31, 1984; Monika Olson, "Obetalt jobb är vanligast," *Dagens Nyheter*, January 31, 1984.

⁷⁸ Lars Ingelstam, "Arbetsbetsfrågan och en ny svensk modell," *Tiden* 1986, no. 5–6, 297–311; cf. Lars Ingelstam, "Sverige är möjligheternas land för delade jobb," *Dagens Nyheter*, January 14, 1986.

⁷⁹ Lars Ingelstam, "Tillväxtens falska profeter," *Moderna Tider*, October 1993, 30–35.

⁸⁰ Per Gahrton, "Ökad tillväxt fel väg för Sverige," *Dagens Nyheter*, February 5, 1985.

⁸¹ Mats Jacobsson, "Arbetslöshet som en befrielse," interview with Lars Ingelstam, *Alternativet i svensk politik* 1986, no. 29, 6–7.

⁸² Magdalena Ribbing, "Lösa förbindelser påverkar partiledare," *Dagens Nyheter*, January 21, 1990.

⁸³ Birger Schlaug, "Den rastlösa välfärdsmänniskan," blog post, May 22, 2008. <<https://schlaug.blogspot.com/2008/05/grn-vecka-och-vad-gr-vi-nu-d.html>>; Birger Schlaug, "Myt 2: 'Skola, äldre-vård och omsorg kräver ekonomisk tillväxt. . .'," blog post, May 8, 2013. <<https://schlaug.blogspot.com/2013/05/myt-2-skola-aldrevard-och-omsorg-kraver.html>>.

many years as a Green Party spokesperson, he struggled to make people understand the real significance of BCD. In this reading, William Baumol was primarily an important critic of economic growth.⁸⁴

8 Postlude: The Reception of BCD since the 1990s

Sweden entered a deep economic crisis in the early 1990s, and the Social Democrats lost the 1991 elections. This marks a shift in the Swedish reception of BCD. The idea of degrowth as a solution to the cost disease, which had been circulating in the 1980s, was soon marginalized. On the other hand, BCD ended up becoming more frequently used by mainstream economists to explain the fiscal crisis of the welfare state. Throughout the 1990s and early 2000s, the Baumolian analogy of a string quartet was commonly referenced in Swedish discussions on the cost of public services. However, a closer look reveals a subtle change in how the cost disease was articulated as a problem.

The focus was no longer on *unbalanced* growth (i.e., the relative difference in productivity growth between sectors). Instead, most references to BCD served to problematize *low* growth in absolute and aggregate terms. BCD had previously often been presented as a “paradoxical” phenomenon characteristic of a rapidly growing economy. Now, it was rather used to explain overall stagnation.⁸⁵

The period 2002–2006 stands out as one of exceptionally high concern regarding BCD among Swedish opinionmakers. In various reports, economists speculated that municipal tax rates might have to double in the future as a result of both BCD and an aging population.⁸⁶ During these years, Baumol’s old example of

⁸⁴ Birger Schlaug, “DN har upptäckt nåt. . .,” blog post, January 21, 2014. <<https://schlaug.blogspot.com/2014/01/dn-har-upptackt-nat.html>>; Birger Schlaug, “Tankegångar som kan mota kortsiktighet och stuprörstänkande,” blog post, February 26, 2021. <<https://schlaug.blogspot.com/2021/02/tankegangar-som-kan-mota-kortsiktighet.html>>.

⁸⁵ This is particularly apparent in the case of Klas Eklund, author of the most influential Swedish economics textbook. Here, BCD is mostly presented as a way to explain fiscal crises. Students are also presented with the doubtful claim that William Baumol was “the first to observe” how personal services tend to become more expensive over time. See Klas Eklund, *Vår ekonomi: En introduktion till samhällsekonomi*, 13th ed. (Lund: Studentlitteratur, 2013), 199.

⁸⁶ Torben M. Andersen & Per Molander, eds., *Alternativ i välfärdspolitiken: Hur möter vi en åldrande befolkning och internationalisering?* (Stockholm: SNS, 2002); *Kommunala framtider: En långtidsutredning om behov och resurser till år 2050* (Stockholm: Svenska kommunförbundet, 2002); “Alternativ finansiering av offentliga tjänster,” Swedish Government Report SOU 2003:57, 19–23; “Långtidsutredningen 2003/04,” Swedish Government Report SOU 2004:19, 11–13; “Sveriges ekonomi – utsikter till 2020,” Swedish Government Report SOU 2004:11, 77, 100–102; cf. Rianne

a string quartet was frequently invoked in the Swedish press, mostly to support a right-wing critique of the Social Democratic government. Liberal opinionmakers typically concluded that due to BCD, citizens must over time accept a form of access to healthcare that is less equal in a more privatized system.⁸⁷ According to the above-mentioned economist Assar Lindbeck, such a dismantling of the welfare state should not be understood as an ideological choice but as a necessity following from “fundamental economic mechanisms, such as Baumol’s Law.”⁸⁸

In the 2006 elections, the Social Democratic government lost to a liberal/conservative alliance. From that point and onwards, references to BCD in the Swedish press suddenly became much less frequent.

9 Concluding Remarks

The Swedish reception of Baumol’s cost disease demonstrates the significance of rhetorical devices in the circulation of economic knowledge and how the same rhetorical device could be used in support of vastly different political agendas. What the different uses have in common is the articulation of some sense of crisis, one which does not strike suddenly but rather constitutes a long-term process that will force society, or some parts thereof, to rethink the conventional way of organizing the economy.

For some commentators, BCD appeared as the key for presenting a radical critique of economic growth. Others arrived at the opposite conclusion: that economic growth must accelerate in those sectors where growth is possible to enable a redistribution of resources to the diseased sectors. In relation to cultural policy, appealing to the authority of Baumol is routinely done when arguing for a strong and expansive public funding of the arts. In the wider context of the future of welfare services, however, BCD has mostly been referenced by those arguing that the public sector must reduce its responsibilities.

The fact that we can identify a plurality of “politics of the cost disease” should not come as a surprise, considering that the rhetorical device in question depends

Mahon, “Swedish model dying of Baumols? Current debates,” *New Political Economy* 12, no. 1 (2007): 79–85.

87 For some examples, see Peter Wolodarski, “Den allt dyrare ‘Spöksonaten,’” *Dagens Nyheter*, May 27, 2002; Mats Svegfors, “Låt välfärden variera i landet,” *Dagens Nyheter*, July 6, 2003; Heidi Avellan, “Alla köar inte,” *Sydsvenska Dagbladet*, November 4, 2003; “Jobb eller försörjning – alternativen är tydliga,” *Dagens Industri*, July 6, 2006.

88 Assar Lindbeck, “Kvalitet eller rättvisa blir vårt val i vården,” *Dagens Nyheter*, February 27, 2005.

on an economic model in which activities with highly different characteristics are lumped together as “the nonprogressive sector.” Just because theatre, childcare and policing might all lag behind the average rate of productivity growth in industrial sectors, there are few who would seriously argue that there must be *one* singular solution to the cost disease that is applicable in all cases.

It may here be worth remembering that William Baumol already in 1967 discussed the severe consequences of the cost disease for the police. Nevertheless, I have not found a single explicit reference to policing in the Swedish reception of BCD. The application of this concept was in practice rather limited to, on the one hand, culture and the arts and, on the other, healthcare and other forms of care provided by the public sector. We have also seen examples of an almost existential reinterpretation, pioneered by Staffan Burenstam Linder, focusing on the lack of time in everyday life and why this problem cannot be solved by economic growth. All this should also be considered against the background of Gøsta Esping-Andersen’s conclusion that in the period under consideration, the Swedish labor market became increasingly segregated by gender, as most new jobs went to women working in the public sector with precisely those services at the center of most discussions on BCD. Hence, it is truly remarkable that explicit references to gender were all but absent in the material studied here. This might obviously have to do with the fact that the circulation of economic knowledge, in this case as well as in many others, was mostly a male affair. It should be highlighted that BCD was not a discovery made individually by William Baumol – the intellectual contributors included several female US-American economists: Anne Scitovsky, Alice Vandermeulen and Mary I. Oates. But as BCD was established as a concept, named after William Baumol, its further circulation in Sweden was driven by men, many of whom were not economists themselves while often appealing to the authority of the famous US-American economist.

It is possible to distinguish between at least three kinds of policies proposed as a response to the cost disease. Furthermore, these correspond to the list of possible outcomes presented by William Baumol and Mary I. Oates in 1972. The first kind of policy is *redistribution*: the state takes on the responsibility for subsidizing certain services so that these can still be offered for the benefit of the public. This argument tends to be based on a relatively optimistic prognosis for long-term economic growth, assuming that there will always be enough money to redistribute by means of taxation. The reference to BCD as an argument for public subsidies has been particularly common in the context of cultural policy.

I propose the term *austerity* for the second kind of cost disease policy. It has mostly been articulated as a critique of the welfare state. Baumol’s cost disease is here used to argue that in a near future, it may be necessary to cut down on the public provision of services such as healthcare, either by charging the individuals

using the services or by allowing the quality of services to deteriorate. Thus, BCD could open the way for a moderate critique of the Swedish welfare state, which has differed considerably from the principled rejection of the welfare state as a whole associated with neoliberal thinkers such as Friedrich Hayek.

Degrowth is the third kind of policy which, mostly during the 1980s, was presented as a solution to the cost disease. This agenda included some utopian features and was defined by the affirmation of amateur activities as valuable to society, the reduction of working hours and the consolidation of a non-monetary “informal sector.”

Advocates of each of these three programs have, as I have demonstrated, all expressed that the “cost disease” is a long-term process that should be more widely recognized. In each case, they have also been fond of reusing William Baumol’s classical analogy of a string quartet that simply cannot play any faster. This indicates that as a rhetorical device, BCD is able to do something that perhaps could not be done without invoking the metaphor of “disease” or without the appeal to Baumol’s authority as an economist. As we have seen, the long-term consequences of unbalanced productivity growth had been analyzed by other prominent economists prior to Baumol, including some Swedish economists whose observations circulated among a wide public in the 1950s – but without a rhetoric of social crisis. It seems like the *pathologization* of unbalanced growth was crucial for making BCD such an attractive (and flexible) rhetorical device ever since the late 1960s.

Possibly, it could even be fruitful to follow the theological intuition of Staffan Burenstam Linder and consider how BCD helped articulate a kind of secular “eschatology” otherwise excluded from the discipline of economics.

After all – as Susan Sontag analyzed in her essay *Illness as Metaphor* – there is a long tradition in political philosophy of talking about diseases, which are sometimes to be treated, sometimes to be violently attacked. “Disease equals death,” according to Sontag.⁸⁹ This may or may not be the case with the political uses of Baumol’s cost disease. However, the metaphor of disease has definitely been attractive for commentators wishing to direct people’s attention away from short-term indicators and toward the more fundamental trajectory of long-term change in capitalist modernity.

89 Susan Sontag, *Illness as Metaphor* (New York: Farrar, Straus and Giroux, 1978), 78, 81.

About the Contributor

Rasmus Fleischer is a researcher in economic history at Stockholm University focusing on cultural economy, media history and the critique of economic statistics. His current focus is on the measurement of inflation: the mostly implicit valuations made when statisticians decide to compare the prices of qualitatively different products in the Consumer Price Index. Together with Daniel Berg, he has recently published the monograph *Varors värde: Kvalitetsvärderingar i konsumentprisindex under 1900-talet* (2023). Previously, he has been involved in an interdisciplinary project examining the streaming service Spotify, co-authoring the book *Spotify Teardown* (MIT Press, 2019).