

# THE FARM SALES DEBATE

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DRIVING FORCES AND IMPLICATIONS FOR THE SWEDISH  
ALCOHOL MONOPOLY

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# **The Farm Sales Debate: Driving Forces and Implications for the Swedish Alcohol Monopoly**

## **Abstract:**

This thesis examines the structure of the Swedish alcohol industry by exploring the driving forces of the current farm sales debate and the implication it could induce the monopoly retailer, Systembolaget. The nature of monopolies defies the EU law of competition, however, Sweden has been granted an exception on which the existence of Systembolaget rests. The legislation of farm sales could potentially jeopardize this exception. The study reviews the industry's history in order to observe which values that have driven previous transformational moments. Furthermore, interviews with present industry actors and stakeholders are conducted and then framed, which lays the foundation for an analysis in which the historical values are explored as current driving forces. The result concludes four value conflicts and three paradoxical interests as the driving forces of the farm sales debate and predicts a continued monopolized market.

## **Keywords:**

Farm Sales, Systembolaget, Framing Theory, Values, Alcohol Industry

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# 1. Introduction

## 1.1. The Alcohol Policy Debate: Farm Sales

Swedish alcohol regulation and public policy have for numerous decades implemented restrictive measures of high levels of alcohol taxation, low degree of accessibility and limited room for private profit-seeking - thereby, keeping down the consumption of alcohol and consequently its harms (SOU 2010:98). Recently, a new political initiative by small wine-producing farms threatens to uproot one of the cornerstones of Sweden's alcohol market. The political initiative has sparked the farm sales debate, in which their requesting of extended distribution rights could jeopardize the keeper of that industry cornerstone: Systembolaget. Systembolaget is the Swedish monopoly on alcohol distribution and was created with a socio-political purpose to protect the public health (Ibid).

Systembolaget has maintained this monopoly due to an exemption from EU competition policy law in Swedish alcoholic beverage distribution. The nature of monopolies defies the fundamental idea on which the EU is based - the free movement of goods in the internal market. In spite of this, the EU has agreed to a compromise which justifies Sweden's distribution monopoly due to its socio-political purpose, which is considered to be superior to a commercial policy. The Swedish monopoly does furthermore not violate the EU competition policy since it treats domestic and foreign EU member producers equally (SOU 2010:98).

While the compromise has secured a peaceful co-existence between the EU and Sweden in the area of alcoholic beverage distribution, a particular alcohol policy debate in Sweden could be political dynamite and threaten the balance between the interests. During the past decade, entrepreneurial farmers focusing on local wine production launched a political initiative to open up an alternative distribution channel for locally produced wine - direct farm sales. Behind the initiative stands a group of farms, whose membership has grown from a handful to about one hundred small wine producing farms, all in eager to find an alternative outlet for their products. So, why not grant small producers the right to sell their wine to the occasional by-passing customers?

This study examines the positions of the different stakeholders in the policy debate in the awakening of the farm sales initiative. To investigate and find explanations, the thesis builds on the assumption that actors' interests, positions, and arguments in policy debates are historically formed. Our investigation, therefore, starts from the notion that the actors do not act in a social vacuum. The study will not only consider the attempts to influence the industry from the current underlying interest but also analyze how those interests have been shaped since the mid 19th century. For this purpose, we draw on the theory and method of framing which highlights how issues can be conceptualized and represented in different ways by policy actors in a strategic attempt to further their interests. In order to assess the conflicting values that govern the industry actors' framing of the policy debate, we further build on and a historical-sociological approach to understand how the Swedish alcohol industry has been shaped, how different values have been institutionalized and how they affect the current alcohol policy debate.

## 1.2. Problem Area

Legislation allowing local farms to sell their self-produced alcoholic beverages would increase the accessibility of alcohol and thus counteract the purpose of Systembolaget. Moreover, both Swedish and international suppliers can only distribute alcoholic beverages directly to consumers via Systembolaget, which does not violate the principles of the EU's internal market and its competitiveness. However, farm sales would give Swedish producers a competitive advantage over EU member actors in distribution opportunities, which would contradict the EU law. Given how farm sales could disrupt the current market structure and the EU law conditions, it is in alcohol industry actors' interests to either advocate or oppose a farm sales legislation based on their underlying agendas and values. Although the narrative of the debate might be clear at a first glance, the actual underlying interest and values of industry actors are what constitute the research problem on which this thesis is based.

## 1.3. Purpose and Research Question

This study aims to contribute to the understanding of the role played by alcohol industry actors in the current policy debate regarding farm sales of self-produced alcoholic beverages. More specifically, the underlying values and interests of stakeholders will be investigated. Given the role played by the Swedish monopoly, the study will furthermore explore the implications of the policy debate in terms of Systembolaget. Thus, the question formulation of this thesis is:

*What are the driving forces behind the alcohol policy debate regarding farm sales and what are their potential implications for the Swedish alcohol monopoly?*

## 1.4. Scope

This study will be concentrated on the policy debate regarding farm sales of self-produced wine. Several other types of small alcoholic beverage producers exist in the industry, such as microbreweries, who would benefit from a deregulated distribution policy. The reason that the product scope will be limited to wine is that the product's nature is of great importance to the policy debate from an EU-perspective, concerning the internal market's competitiveness. Wine is traded to a high degree within the EU (SOU 2010:98), but legislation of farm sales of Swedish wine would contradict the EU competition law. However, this scope does not exclude the possible consequence where permitting wine farm sales could induce smaller producers of other alcoholic beverages to request the same rights.

The policy debate in question is relevant for a market in which a retail monopoly of alcohol exists without legislated farm sales of alcoholic beverages. Sweden is the only member of the EU in which these conditions exist (SOU 2010:98), which is why this study geographically focuses on the Swedish alcohol market and policy debate. The Finnish alcohol market combines a retail monopoly with legislated farm sales of certain types of alcoholic beverages. A comparison with the Finnish market structure is not relevant since the legislated Finnish alcoholic beverages are distinctive in their nature and are not considered to be in the same competitive situation as the Swedish wine producers'. Since Finland's market structure has not been prioritized for review, it is not completely investigated and approved by the EU-commission (Ibid). In conclusion, while Sweden has a retail alcohol monopoly *without* exceptions, Finland does have an exception. Thus, the two countries are not comparable with the regards to the research question and problem area.

## 1.5. Research Gap and Contribution

The farm sales debate has remained an unsolved matter for the past decade. What may appear as a simple request by wine farms is, however, a complex issue that involves EU's fundamental principles of a free internal market, as well as the values and interests of stakeholders in the Swedish alcohol industry. The driving forces of this debate have yet to be explored and compiled. The issue at hand concerns marketing as it explores the constitution and dynamics of markets. In order to understand the market structure and the forces that drive change, it becomes crucial to analyze the aspects of which the market is constituted. This study will therefore yield contribution to the driving forces which form an industry. In providing understanding for the interplay of these forces and the underlying values which lead to a market's structure, this study provides a contribution

both to the understanding of the farm sales debate itself as well as the constitution of the Swedish alcohol industry.

## 1.6. Disposition

In order to answer the research question, this study will be based on the following disposition: first, the theoretical framework within the problem area will be presented, followed by a description of the methodology used in the thesis. Thereafter, the empirical findings are presented, followed by an analysis. Finally, a discussion regarding the driving forces of the policy debate and its implications for Systembolaget will be held.



## 2. Theoretical Framework

### 2.1. Understanding Markets

Literature within the sociology of markets is divided into three theoretical groups based on whether scholars use (1) networks, (2) performativity or (3) institutions as explanatory mechanism in the emergence and ongoing dynamics of markets.

The network approach focuses on relationships between market actors as the material of the sociology of markets. It involves theoretical concepts such as resource dependence, cooptation, information and trust (Fligstein and Dauter, 2007). Previous research has argued that network relatedness is the most important construct (Granovetter, 1985) and that social relations within and across firms, and their more formal relationships to the state, are crucial to understanding how stable markets emerge (Fligstein, 1990; Fligstein and Brantley, 1992).

The performative approach views economic action as a result of calculative processes involving specific technologies and artifacts that market actors use. The tools the actors have at their disposal to interpret and define economic worlds and how they organize interaction over exchange are created by and enact ideas about how an economic activity should and does operate. The performative argument is thus an attempt to insert cultural understandings of actors into the core of the social construction of markets (Fligstein and Dauter, 2007).

The institutional approach focuses on how cognition and action by market actors are based on market rules, power and norms. It is argued that institutional actors create new sets of social arrangements in organizational fields with the aid of powerful organized interests, both inside and outside of the state (DiMaggio, 1989; DiMaggio and Powell, 1991). These perspectives have been supported by research that shows how state-firm interactions in various societies have produced unique cultures of production and market structure (Hamilton and Biggart, 1988; Chandler, 1990; Gerlach, 1992).

All three approaches rely on viewing markets as social structures characterized by extensive relationships between firms, workers, suppliers, customers, and governments. These factors constitute markets. Furthermore, the political economy approach emphasizes the linkages between states, law, markets and the historical emergence of systems of governance. Although it is argued that this particular approach is underplayed

in literature, the institutional theory is the approach that most frequently adds political economy into its analysis (Fligstein and Dauter, 2007). Because the farm sales debate and the Swedish alcohol monopoly is to a high degree based on the role of the state, laws, and norms in the creation of particular market features, the institutional theory will be the basis of this study's theoretical framework.

## 2.2. Framing Theory

Drawing on institutional theory, framing theory has much in common with other interpretive and critical approaches to policy analysis which focus on the construction of social reality and the symbolic use of language within policy debates (Edelman, 1988; Gusfield, 1981; Lakoff, 2004). A frame itself is the underlying structures of belief, perception, and appreciation on which distinct policy positions depend and are significant for the resolution of policy controversies (Rein and Schön, 1994). Framing refers to the processes through which actors impose order upon an ambiguous social world open to different interpretations (Hajer and Laws, 2006) and provide an ordering logic that renders issues comprehensible (Rein and Schön, 1996).

Frames can be used by both policy-makers, such as the government and politicians, and policy-takers, such as industry actors. Political issues can be conceptualized and represented in different ways by policy-makers in strategic attempts to further their interests. Attempts made by policy-takers can also shape alcohol policy debates in ways compliant to their underlying corporate interests (Rein and Schön, 1994). Previous research on the alcohol industry demonstrates how market actors pursue to influence broader societal discourses about the effects of alcohol on society and the policies designed to regulate this (Bond et al., 2010; Hawkins and Holden, 2013). Communicative strategies aim to dominate the information environment, and are central to industry actors' attempts to influence regulation and avoid measures inconsistent with their profit-seeking (Miller and Harkins, 2010). Therefore, the specific framing of an issue is of great importance in policy debates as it opens up certain policy actions or acts as a buffer against this. Thus, the competition to define the terms of the debate is a vital component of the policy process (Hawkins and Holden, 2013).

Schön and Rein (1996) introduce the terms *action frames* and *rhetorical frames* in order to distinguish types of framing in policy debates. An action frame refers to patterns undertaken by policy practitioners themselves by defining the problem, solution and gaining support from others, while a rhetorical frame underlies the persuasive use of story and argument in policy debate. Thus, action frames can be used for objective descriptive purposes while rhetorical frames require subjective interpretation by the recipient.

Benford and Snow (2000) divide action frames into three core framing tasks which are crucial for market practitioners to use in policy debates:

- 1) *Diagnostic framing*: seeks to define the problem at stake.
- 2) *Prognostic framing*: offers a supposed solution to the problem identified.
- 3) *Motivational framing*: seeks to enlist the support for the cause and to move people to act to affect social change.

Rhetorical frames focus on the narrative constructed by political actors attempting to frame political problems, attribute responsibility to them and advocate particular solutions. More specifically, political actors intentionally portray them in ways planned to gain support for their side. They compose stories that describe harms and difficulties, attribute them to actions of other individuals or organizations, in order to claim the right to invoke government power to stop harm. However, policy actors seeking to avoid governmental regulation will seek to play down the significance of an issue to keep it off the agenda. They may invoke principles of liberty or individual responsibility to steer governments toward fewer interventionist forms of regulation which are aligned with their interests (Hawkins and Holden, 2013; Schön and Rein, 1996).

The concept of framing is in this study used to understand how the farm sales debate can be conceptualized and represented in different ways by industry actors in strategic attempts to further their interests. In particular, action framing will be used as the foundation of the analysis of the driving forces in the particular policy debate. The concept of framing is applied for two main reasons. First, the concept of frames captures the dynamics of policymaking that makes sense to the different policy actors themselves. Second, it captures the strategic and purposive nature of policy actors' interventions in policy debates and provides a conceptual framework for its analysis. In other words, industry actors' underlying values and interests can be understood by assessing how they frame the farm sales debate.

### 2.3. Conflicting Values

Values are referred to as what is important, meaningful, desirable or worthwhile for market actors to pursue (Graeber, 2005). Competing interests and values form the foundation by which institutional shifts may occur in an industry (Hoffman and Ocasio, 2001). Changes in the industry are referred to as transformative moments (Alexius et al, 2011). The likelihood of institutional change increases when institutional systems are pressured from both inside and outside, foreign and domestic actors, to mobilize resources of a common goal (Djelic and Quack, 2007). Values themselves and value conflicts can

thus be referred to as underlying driving forces for transformational moments in industries.

According to Alexius et. al (2011), contested commodities, such as alcohol, are not contested in any given or objective sense, but they are rather an outcome of negation and power struggle of values between market actors. Therefore, it matters to the organization of a market if there is an underlying value conflict, how the value conflict is configured and what market elements that are being targeted by market actors. In the case of the Swedish alcohol market, historical events demonstrate that different value conflicts have been a constant concern and that they still characterize the market today. Previous research on the Swedish alcohol industry (Alexius et al, 2011) found that the primary value conflicts that have shaped the industry throughout history are:

- *Liberalization versus Solidarity*: a conflict over consumer access to an assumed harmful commodity, and whether or not consumption should be restricted or unlimited. The value of liberalization advocates free markets, where deregulation is central. The values of solidarity emphasize the importance of socio-political actions prioritizing ethical aspects such as discipline, character and public health.
- *Fairness versus Unfairness*: a conflict over producer or distribution rights between farmers and capitalists. Fairness is a value in favor of the status quo market, where all actors should have the same opportunities. Unfairness refers to a will to change the status quo market, as market actors perceive themselves in a disadvantaged position.
- *Individual Control versus Universality/State control*: a conflict over the arbitrariness of state control of alcohol sales. Individual control opposes the state's interference with supply and demand, but advocates the control of the individuals and industry actors. Universality/state control allows the state to control the supply of a commodity by, for example, implementing commodity taxes that generate governmental income.
- *Individual Responsibility versus State responsibility*: a conflict over the role of the state regarding the consumption of alcohol. Individual responsibility represents the value of maintaining the power of an individual to choose for oneself. State responsibility advocates that the state takes on the responsibility instead of the individual.

The values above will be empirically described in their historical contexts and are later applied to the current unexamined policy debate. The action frames will be used to structure the empirical findings, which will be analyzed via the values together with the rhetorical framing. This aim to bring further understanding to how the Swedish alcohol industry has been shaped, how different values have been institutionalized and how they affect the current alcohol policy debate.

### 3. Method

#### 3.1. Research Approach

In order to fulfill the purpose of the study, a profound investigation of the Swedish alcohol industry and the farm sales debate is required, which is why a qualitative research approach will be applied (Alvesson and Sköldbberg, 2008). The research question is both descriptive and investigative since it aims to examine how industry actors frame the farm sales debate, but also to understand the relationship between industry actors' particular framing of the issue and their underlying values that affect the policy debate. How industry actors frame the current farm sales debate will be assessed through interviews with relevant participants. Their underlying values and interest are investigated by using a historical-sociological approach.

This thesis has its starting point in observing the phenomenon of the farms sales debate, which is presented in the study's introductory section. As presented in the following theoretical framework, framing theory will be used as a tool to structure and analyze how different industry actors frame the farm sales debate. Moreover, the study uses a historical-sociological approach that conceptualizes previous underlying values of the industry, in order to understand the current values that act as the driving forces in the current farm sales debate. Thus, the research approach is inductive since the study derives from observing a phenomenon and because existing theory is applied to gain understanding of it (Alvesson and Sköldbberg, 2008). This is appropriate because the aim of the study is to understand the nature of the policy debate and the underlying market structure of the specific industry. Moreover, the inductive approach is relevant to use since the particular phenomenon is unexplored in existing literature (Ibid).

#### 3.2. Interviews

The purpose of the interviews is to create an overview of how industry actors frame the farm sales debate. A semi-structured interview approach (Andersen, 1998) is considered to be appropriate with pre-determined comprehensive themes. The structure of the interviews is based on funneling technique (Kylén, 1994) in which general questions are initially asked, followed by in-depth and interview-specific questions which are adapted to the interviewee and what the interview object says. The interviews are conducted in a manner where the interviewers begin by asking the interviewee to describe itself and its role in the alcohol industry, and is followed by their view on the farm sales debate. This is continued by follow-up questions to specify, clarify and develop their statements. The purpose of this composition is to allow the interviewee to speak freely without being guided by the interviewers. This method aims to nourish the foundation of the framing

theory, in which the interviewees' framings of the farm sales debate are independent and lay the foundation for the analysis.

The interviews are conducted between March and April 2019. Of the 10 interviews, 3 were personal while 7 were telephone interviews due to geographical and practical reasons. Snowball sampling is used as the selection process of interviewees, in which the starting point is to interview representatives of wine farms since they are the main actors in proposition of farm sales. This will reveal further relevant actors to contact by using the method of recommendation, where later interviews will reveal more potential interviewees. This process continues until a sufficient view of the policy debate and alcohol market is obtained. Both authors are present during the interviews, which last between one to one and a half hours. One author holds the interview, while the other one focuses on asking follow-up questions. This ensures that the planned themes are in focus, simultaneously as the interview is documented. All interviews are transcribed in order to ensure the correctness in the interviews' contribution to the empirical findings.

Interviews are conducted with representatives from the following industry actors (Appendix):

- Föreningen Svenska Vinodlare (FSV)
- Långmyre Winery
- The Moderates (Moderaterna)
- Systembolaget
- IOGT-NTO
- The Social Democrats (Socialdemokraterna)
- The Swedish Alcohol Suppliers' Scrutineer (Alkoholgranskningsmannen)
- Spin the Bottle
- Pernod Ricard
- Contemporary Wines

### 3.3. Identifying Values

The empirical assessment of history provides a study of the dynamics of value conflicts in contested markets, which reveals that they have existed and been contested for a long time (Alexius et al, 2011). Aware of the complex sources and logic of institutional and organizational change, this study has used a comparative design with a primary focus on post-hoc identified transformative moments. Transformative moments are here identified as critical junctures, more turbulent times characterized by open contestation, vivid engagement and attempts to frame views and values related to alcoholic beverages. Previous research on historical transformative moments and values based on the Swedish alcohol industry have been used. The historical empirical findings are derived from secondary historical accounts of earlier shifts. For reasons of delimitation, the study focuses on market development from the 1800s and onwards.

### 3.4. Structure and Analysis of Empirical Findings

A historical empirical approach is applied to analyze how value conflicts and organization of the Swedish alcohol industry market has evolved over time from the 1800s to today. It becomes crucial to understand the previous alcohol market's appearance, and the values constructing it, in order to understand the values that drive the current farm sales debate. Three historical transformative moments are investigated: (1) the establishment of the Swedish alcohol industry (2) the establishment of Systembolaget and (3) the EU entrance. Finally, the current farm sales debate is treated as the next possible transformative moment, in which the historical values found can be applied.

The current alcohol industry will be described using the framework of Porter's Five Competitive Forces. Thereafter, action frames will be used as a tool to structure and analyze the interviews with current industry actors. In turn, their framing of the farm sales debate will be analyzed using historical values found together with rhetorical framing by politicians. This will bring understanding to how the Swedish alcohol industry has been shaped, how different values have been institutionalized and how they affect the current alcohol policy debate.

The interviews conducted are categorized into three different groups: *proposition*, *opposition*, and *key industry actors*. The proposition refers to those actors who are active advocates in the farm sales debate, while the opponents are those actors who actively take a stance against farm sales. Thus, framing theory is applied to these actors. The key industry actors are those who are not actively engaging in the debate but still have an opinion on the matter and possess important industry roles. As these actors are not active



in the debate, framing theory is not used. However, they provide important insights regarding the Swedish alcohol industry, which are essential in order to gain deeper understanding of the market.

### 3.5. Research Reliability

The research reliability of the study aims to explain to which degree the study can be replicated. The research reliability increases if the study's results can exclude errors and the circumstances that coincidences can entail (Andersen, 1998). Since the empirical findings are partly based on interviews, there is a risk of subjectivity in the interviews' answers as well as the interpretation by the authors. Measures that strengthened the study's research reliability are therefore central to the study's research reliability.

Although there is a risk of subjectivity of the interviewees, it is not considered to affect the research reliability negatively. The interviewees' subjective view on the farm sales debate is relevant rather than misleading as it assesses the underlying interest and agendas of the various framings of the issue. In order to improve the research reliability, however, the authors conduct follow-up interviews and search for recurring patterns in the answers of the interviewees. More interviews could contribute to research reliability. However, given the bachelor thesis format, purpose and research question, the interviews executed are considered to be sufficient and enough representative to map out the farm sales debate. Furthermore, the research has been complemented by secondary data. More specifically, the government's public investigations regarding farm sales and the interviewees' official web pages have provided insights to complement the interviews.

### 3.6. Research Validity

The study's ability to answer the research question is referred to as internal validity (Bryman, 2002). Since the purpose of this study aims to provide a broad overview including different stakeholders within the farm sales debate, the interviews are limited to one interview per industry stakeholder. Furthermore, the interviews are carefully selected since the results are based on their responses. A background check is conducted for each interviewee to ensure that the one in question has sufficient knowledge about the farm sales debate and the Swedish alcohol market in order to provide meaningful insights.

From the proposition, FSV represents the wine farms of Sweden and is the major organization active in the farm sales debate. Staffan Lake is interviewed due to his representative role at FSV, while Emma Serner is interviewed in order to gain a deeper understanding of a single wine farm. Joel Nordqvist (the Moderates) and Hans Hoff (the

Socialdemocrats) are chosen as interviewees representing both political sides of the debate, in which both politicians are actively engaged in the farm sales debate when representing their party. However, the distinction between the political party's official stance and the individual politician's personal view of the policy issue is taken into consideration.

From the opposition, both Irma Kilim (IOGT-NTO) and Johan Lindblad (Systembolaget) are representatives of organizations that are actively opposing legislation of farm sales. Since both Kilim and Lindblad lead the political and regulatory departments of their respective organization, they are involved in the farm sales debate and can provide important insights from the opposition's perspective. The key industry actors, Per Delby (Pernod Ricard) and Anna Andrée Jeppe (Contemporary Wines) are relevant interviewees as they represent major private actors in the Swedish alcohol market. Finally, interviews with the industry experts provide important insights where Johan Sjöblom (Spin the Bottle) is specialized in the marketing of alcoholic beverages while Mattias Grundström occupies an extensive role with regards to regulation in the Swedish alcohol market.

All interviewees who are representing an organization occupy a relevant or leading role in the context of the farm sales debate. Thus, the interviewees are considered to be an appropriate representation of the organization. This strengthens the study's internal validity despite the fact that personal elements are difficult to exclude. Moreover, the internal validity is strengthened as separate interviews provide similar answers that confirm a pattern.

The study's external validity refers to the extent to which the results of the study can be generalized across other situations, people, stimuli, and times (Andersen, 1998). In terms of the study's explorative approach, leading to a unique conclusion for a unique question, the generalizability is weak. However, the theoretical framework, i.e. the tool for an analysis, is applicable for other policy debates regarding market structures. External validity is thus strengthened.

## 4. Empirical Findings

### 4.1. The History of the Swedish Alcohol Industry

#### 4.1.1. The Establishment of the Alcohol Market (1800-1954)

Swedish alcohol consumption was substantially high at the beginning of the 19th century, with a yearly average consumption of 56 liters per person in comparison to today's 8.8 liters per person (Systembolaget, 2019). Alcoholic beverages were one of the most demanded consumer goods because it was cheap and relived the hardship that poverty entailed. Alcohol was furthermore associated with positive characteristics, and it was thus natural for men to drink on a daily basis (SOU 2010:98).

However, the view of alcohol as a social problem was established during the 19th century. Firstly, drinking was framed as a social problem as a consequence of the spread of Christian morals and manners, where alcohol was considered to be root to sin. Second, new medical findings generated arguments against the consumption of alcohol since it could be damaging to one's health, especially among the youth. Finally, secular criticism on bad behavior and other unpleasant effects of drinking came to surface. Therefore, the question regarding drinking made an impact on the state agenda (Båtefalk, 2000). For conservationists, the issue of alcohol consumption was considered a moral and religious crime against society, while it was something the individual had to deal with himself, not the state, according to the liberals (Ibid).

In 1855, the state initiated the aquavit reform where household distilling was banned. Behind the reform stood an increasingly influential temperance movement and a state that had formed an interest in the economic aspect of the alcohol industry. However, the reform was resisted by farmers since their economic interest was put aside, which they considered being a representation of a lack of justice and liberty. The reform contributed to the establishment of industrial distilleries as the dominant form of alcohol production, separated from the supply by local companies (Nycander 1996; Båtefalk, 2000).

Over time, the state and the temperance movement strengthened their positions on the alcohol issue. In 1922, the state established, Motboken, a ration book system that limited consumers' accessibility of alcohol. The ration book system was a result of a compromise between the state's attempt to eliminate economic profit at the same time as directing the market profits back to the state, and the temperance movement aiming to prohibit alcohol consumption. The reason for individual control as a temperance action was to suppress

abusive behavior, not ordinary drinking habits, as a standpoint in strong contradiction to the more radical temperance movement's ideas (Bruun and Frånberg, 1985). The ration book system remained until 1954.

The aquavit reform and the ration book system reflects the underlying core value conflicts of society that emerged during this period of time: liberalization versus solidarity, and fairness versus unfairness. The value of solidarity was seen in a strive towards people's discipline and character as well as health, which overruled the value of a more liberal market. The value conflict of fairness and unfairness emerged as particular actors were permitted to produce alcohol, while farmers perceived this as an unjust act (Alexius et al, 2011).

#### 4.1.2. The Establishment of Systembolaget (1954-1995)

Since the beginning, the ration book system had been criticized for being a class-based system, giving privileges to the higher classes, as well as an arbitrary authority where people were getting random treatments in different regions in Sweden (Rothstein, 1992). In the new welfare state that had developed since the end of WWII, there was a clear perception among ration book critics that the welfare state should erase class inequalities and social problems. With a general welfare model, there was no need for individual control since the citizens now were perceived to be rational, well-behaving and moderate consumers of alcohol regardless of class, gender or race (Johansson, 2008).

After nine years of evaluations and debates, the decision to end the ration book system was made by the parliament in 1954. One crucial outcome was that all local companies selling alcohol were merged into a new, state-owned, company - Systembolaget (Lundquist, 2002). In this way, the market of alcohol was divided between two state-owned companies, Systembolaget and Vin & Sprit (V&S). Each of these companies controlled one function of the market. Systembolaget controlled the selling of alcohol to the consumers, while V&S was responsible for the production. Thus, this centralized construction resulted in two different state monopolies with the purpose to make the market more orderly and rigid (Ibid).

In order to gain control, Systembolaget made an effort to draw clear boundaries between the consumers and the products (Castillo, 2009). Suspicions of a sales increase made the state willing to reduce the desire to buy alcohol in every possible way. This was a suspicion that became reality when the consumption increased with 25 percent the first year. Not being able to trust the system of individual control any longer, the state acted as a moral authority and resorted to propaganda campaign aiming to enlighten individuals (Rothstein, 1992). In addition to the propaganda, taxes were raised, registers for undesirable customers were implemented and identification upon buying as well as an advertising ban was introduced (Lundquist, 2002). Thus, the state solved the dilemma of controlling undesirable customer purchases and simultaneously appearing as an organization maintaining the ideals of the modern democratic welfare state (Ibid).

The fundamental and civilizing principles of individual freedom, universal citizenship, and equality before the law were established when abolishing the ration book system (Sulkunen et al, 2000; Rothstein, 1992). Thus, the value of liberalization overruled the value of solidarity. Moreover, the strive for liberalization was driven by a sense of unfairness regarding the ration book system. At the same time as the state launched their new more liberal strategy to provide the individual with more responsibility, they pursued to maintain a high degree of state control (Nycander, 1996; Lundqvist, 2002).

#### 4.1.3. The EU Membership (1995-Today)

The neoliberal impulses of the 1990s with general claims for state regulation and privatization had an impact on the Swedish alcohol policy at the time. There was a value shift in the liberal concept that led to the state's policy having lost its power and credibility (Johansson, 2008). There were furthermore few signs of resistance of alcohol sales, most likely because of the general trend of a less powerful and fading temperance movement. In 1994 the government proposed fundamental changes in the alcohol policy. At this time, Sweden was preparing for its integration in the European Union, and the first step had been taken when the European Economic Area agreement was signed in 1992 (Ibid).

The membership negotiation had proved that state monopolies were not in line with the EU law, which implied that Sweden had to suspend the state monopolies (Castillo, 2009). Due to the EU membership, a suppliers' market was constructed in 1995, which increased the number of supply companies from 1 to approximately 200. State-owned V&S was no longer the sole producer of alcoholic beverages to Systembolaget. The state's involvement in V&S ended in 2008 and it was sold to the international business group Pernod Ricard. However, the retail monopoly was not subjected to deregulation as long as Systembolaget did not favor one market actor over another. Thus, Systembolaget launched a policy to ensure neutrality in managing the new market actors - private

wholesale companies. In this market configuration, the neutrality was essential for the monopoly to survive the reform linked to the Swedish EU membership process (Ibid).

On the consumer level, changes were more visible. In 1991, Systembolaget stores experimented with a more consumer-friendly supermarket model for selling alcohol, followed by a larger product range (Lundqvist, 2000; Tigerstedt and Sutton, 2000). The primary principles governing this new system were factors closely related to market practices such as demand, profitability, and efficiency (Castillo, 2009). In addition, taxes were reduced and advertising was legislated. Moreover, the value of health returned with renewed strength. The health value had a significant impact on alcohol policy transforming into more general and preventive health policy. In this process, the medicalization of the alcohol problem can be traced. Professionals such as doctors and researchers gained increased importance and strengthened a more independent treatment sector (Lundqvist, 2002; Tigerstedt, 2000).

The values of alcohol restriction have been somewhat diluted in relation to values of liberalization and individual responsibility. As a consequence, the state handed over the responsibility of the alcohol issue primarily to individuals but also municipalities, non-profit organizations, and corporations. Being associated with social and moral problems, alcohol had become more of leisure activity and an ordinary commodity, though related to certain potential health issues (Alexius et al, 2011).

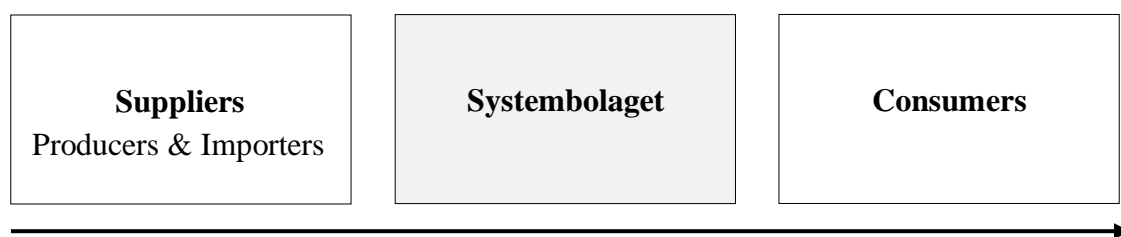
**Table 1.** An Historical Overview of Transformational Moments

<b>Transformational Moment</b>	<b>Time Period</b>	<b>Values</b>	<b>Main Actors</b>
The Establishment of the Alcohol Industry	1800-1954	Liberalization vs Solidarity, Fairness vs Unfairness	State, Farmers, Private Actors, Temperance Movement
The Establishment of Systembolaget	1954-1995	Individual vs State Control, Fairness vs Unfairness, Liberalization vs Solidarity	State, Temperance Movement
The EU Membership	1995-2019	Liberalization vs Solidarity, Individual vs State Responsibility	EU, State

## 4.2. The Current Alcohol Industry

In order to explain the current Swedish alcohol market, the theoretical model Porter's Five Forces will be applied. It will provide an exhaustive overview of the Swedish alcohol market. The model explores five forces: the bargaining power of suppliers, bargaining power of buyers, the threat of substitute products, the threat of new entrants and rivalry (Porter, 2008). Before investigating the various forces, the market will be geographically, vertically and horizontally defined. Geographically, the industry scope concerns Sweden. More specifically, alcoholic beverages that are produced abroad or domestically, and are being distributed to Swedish consumers via Systembolaget. For the purpose of using Porter, the industry analysis will be done from the perspective of Systembolaget.

Horizontally the definition of the product is observed: alcoholic beverages distributed to Swedish consumers. The beverages are required to have an alcoholic level of at least 3.5 percent (Systembolaget.se) in order to only be distributed from Systembolaget. The vertical scope describes the value chain of the industry. The value chain is initiated by producers and finished by the end consumer. The producers are minor actors, such as wine farms or micro beer breweries, or established private actors. The producers distribute to Swedish consumers via the monopolized retailer Systembolaget or via Swedish importers that supply Systembolaget. Stakeholders with interests in the value chain are alcohol marketers, regulators, and politicians (Grundström, 2019).



**Figure 1.** Value Chain of Swedish Alcohol Industry

The buyers are Swedish consumers. The Swedish consumers can purchase alcohol either by ordering online from or visiting the stores of Systembolaget. In 2018, Systembolaget sold over 500 million liters of alcohol (Statista, 2018), with approximately 440 stores located all over Sweden (Systembolaget, 2019). Considering that Systembolaget decreases the availability and chooses the width of supply, and that an alcohol tax increases the price, the buyers' bargaining power is weakened. If a substantial number of customers order the product on Systembolaget's webpage, it will be displayed in the store (Lindblad, 2019). In this regard, the buyer has some power. The order frequency is, however, only one of several ways in which Systembolaget obtains its supply (Ibid). In total, as there is no other distributor of alcohol in Sweden, the customer does not have much choice but to buy what Systembolaget offers, or abstain. In conclusion, the power of buyers is weak in this industry.

The suppliers are Swedish and foreign producers as well as established corporations. There are also Swedish importers via which producers can enter Systembolaget. As mentioned, there are several ways in which a product is selected onto Systembolaget's shelves (Lindblad, 2019). Concerning the customer order frequency, suppliers engage in marketing towards the consumers to reach high ordering volumes (Ibid). However, this is not the easiest task as the marketing of alcoholic products is heavily regulated. Some importers or corporations have succeeded in obtaining an established space at Systembolaget. Systembolaget, however, makes sure that there is a broad supply, even if the consumers would demand a higher degree of one specific product. Despite this, many suppliers endorse Systembolaget's ordering system; with the high taxes and thus the



higher prices, suppliers of alcoholic beverages are not obliged to sell the same volume to obtain the same revenues (Grundström, 2019). Overall, it can be concluded that the bargaining power of suppliers varies, but in total, is medium-strong.

There are several substitutes to alcoholic beverages: water, soda, and other beverages. However, these substitutions do not provide the same effects of intoxication as alcohol. Thus, these substitutes do not threaten the alcoholic beverages. What could be considered as a substitute to Systembolaget itself are two channels. First, alcoholic beverages can be purchased by consumers abroad and be brought back to Sweden. This option is legal and can be a less expensive manner to obtain alcohol. Secondly, there is a black market distributing alcohol without taxes and regulations. The black market, in particular, is considered problematic, both as it reduces the government's tax income from alcohol as well as it damages the purpose of Systembolaget (Grundström, 2019). Despite these substitutes, the vast majority of alcohol consumption is still provided by Systembolaget, thus rendering the power of substitutes rather low.

The level of rivalry in the Swedish alcohol market is low. Firstly, this is due to the fact that the market is dominated by a monopolized retailer. There are several actors which might have an interest in the liberalization of the alcohol industry, which addresses the current farms sales debate, in which wine farms can act as potential rivalry as well. This potential rivalry will be further discussed in this thesis. The rivalry is currently low, however, it could intensify in the future, as the farm sales debate threatens the existence of Systembolaget.

In conclusion, the Porter analysis provides an overview of the concerned Swedish alcohol industry. Furthermore, despite its strength in describing the current market, it fails to address what will be explored in this thesis - the potential rivalry initiated by the wine farms.

### 4.3. Industry Actors

Proposition	Key Industry Actors		Opposition
FSV Långmyre Winery The Moderates	<i>Industry Experts</i>  AGM  Spin the Bottle	<i>Private Actors</i> Pernod Ricard  Contemporary Wines	Systembolaget  IOGT-NGO  The Social Democrats

**Figure 2.** Overview of the Industry Actors in the Farm Sales Debate

#### 4.3.1. Proposition

##### **Wine Farms**

Föreningen Svenska Vinodlare (FSV) is the association for Swedish wine farms. It was established in the beginning of the 2000s with the purpose of coordinating Swedish wine farms in order to exchange knowledge and to gain political influence. The association is a non-profit organization with 350 members, distributed on 100-150 wine farms. The majority of wine farms have been producing wine for personal use or as a hobby. During recent years, however, an increasing number of wine farms have begun to produce wine for commercial purposes. The volumes produced are relatively low in comparison to the total alcohol consumption in the country. The interviews have been conducted with Staffan Lake and Emma Serner who are both members of FSV. Lake is the communications director at FSV and Serner runs Långmyre Winery, a wine farm located in Gotland.

Lake explains that wine farms interact with politicians since they are the actors who would be able to implement a policy change. The wine farms engage in the matter by communicating with politicians as well as media. According to Lake, the main political parties supporting wine farms are the Swedish right-wing parties, in particular, the Moderates and the Central Party. Other measures to influence the debate are made by organizing panels and debates in order to bring forth all voices in the question. For example, Serner herself was invited to participate in a panel regarding farm sales during the Swedish political week in Almedalen.

*Diagnostic Frame:* The diagnostic frame seeks to identify the problem at stake. Lake and Serner describe how they see wine farms in a disadvantaged position compared to other European wine producers. In particular, they refer to their non-existent ability to sell wine directly to customers visiting the farms. Furthermore, they explain several issues regarding their relationship with Systembolaget. First, it is not nutritious for wine farms to attempt distribution via Systembolaget as the volume sold would be too insignificant. Second, they argue that Systembolaget instead benefit large corporate actors and wine products of lower quality.

*Prognostic Frame:* The prognostic frame captures the identified solution. According to Serner, the ability to sell directly to a visiting tourist could improve their business without damaging the authority of Systembolaget or increase harmful alcohol consumption. She suggests that they would use the same prices as Systembolaget and that the wine farms are open to various possible solutions, but are not interested in being competitors to Systembolaget. She mentions that these suggestions are proposed in official governmental reports provided by Swedish politicians who the farms collaborate with. They propose allowing farm sales in conjunction with conference activities, as well as to have the Skåne region do a pilot trial period in allowing farm sales.

*Motivational Frame:* The motivational part of the action frame captures the arguments that seek to enlist support. According to Lake and Serner, the wine farms argue that legislation of farm sales will benefit their businesses, but also the entire tourism industry, which would, in turn, improve the Swedish economy as a whole. Their concern does not regard whether farm sales are allowed with or without a monopoly, but simply about farm sales being approved. Furthermore, they claim that permitting farm sales would not affect any other industry actor significantly, but the farms themselves. Finally, they argue that it would contribute to their visitors' experience.

“Farm sales could coexist with Systembolaget. Taxes and fees would pass through them (Systembolaget) and we would also have the same opening hours and price levels. This ensures that farm sales would not create competition, but rather coexist with Systembolaget. Legislation of farm sales would create job opportunities and nourish tourism on the countryside.” - Emma Serner, Långmyre Winery

## **Right-Wing Parties: The Moderates**

Joel Nordqvist is a politician within the major right-wing party in Sweden, the Moderates, and has been an active policy advocate in the farm sales debate during the past years. Nordqvist explains that the Moderates, together with the Central Party (Centerpartiet), has been driving the farm sales issue forward during the last decade. The other right-wing parties, the Liberals (Liberalerna) and the Christian Democrats (Kristdemokraterna), as well as the Swedish Democrats (Sverigedemokraterna), have expressed their position in favor of legislation of farm sales. All of these parties, except for the Swedish Democrats, are simultaneously in favor of keeping Systembolaget's current position as a retail monopoly.

*Diagnostic Frame:* Nordqvist argues that Systembolaget's system can be criticized on several aspects. Firstly, Systembolaget fails to fulfill its purpose of limiting alcohol accessibility as the alcohol consumption has moved abroad due to high taxes and as a black market has emerged. According to Nordqvist, one-third of every beer is either bought outside of the Swedish border or on the black market. Secondly, he explains that Systembolaget's ordering system does not select products fairly among suppliers. Smaller producers are at a disadvantage while major brands continuously occupy large shelf spaces in stores, which is why it is difficult for wine farms to sell via Systembolaget. Nordqvist concludes that Systembolaget's ordering process is not as good as the it claims.

*Prognostic Frame:* Nordqvist believes that the solution to some of the issues presented above is to legislate farm sales. As farms are commonly small actors, it would increase fairness if allowing them to distribute directly at the production spot. Nordqvist continues by stating that the solutions to the remaining issues, which would ensure Systembolaget's function, include the lowering alcohol taxes to harmonize them within the EU. Since this would lower the prices on alcohol, it would help eliminate the problematic black market and bring back consumption to Sweden, thus benefitting the Swedish economy.

*Motivational Frame:* According to Nordqvist, permitting farm sales could bring substantial benefits to the farms' economy, as well as stimulate tourism and provide rural areas with more work opportunities - without damaging the monopoly. Nordqvist argues that permitting farm sales is a step in the right direction for the Swedish alcohol industry. He suggests that solving the remaining issues of Systembolaget via a natural fall of the dysfunctional monopoly is appropriate. However, suggesting the deregulation of Systembolaget does not represent the right-wing parties' official stance regarding Systembolaget, and the view of an alcohol monopoly is divided within the parties as well.

#### 4.3.2. Opposition

##### **The Alcohol Monopoly: Systembolaget**

Systembolaget is the Swedish retail monopoly of alcohol, controlled by the government under the Ministry of Health and Social Affairs. Johan Lindblad is the director of social relations at Systembolaget and has previously been the corporate lawyer within the organization. His role involves working with political and regulatory issues at Systembolaget.

*Diagnostic Frame:* According to Systembolaget, the legislation of farm sales is not about saying yes or no to the sale of self-produced alcoholic beverages of farms, but whether Sweden should have an alcohol policy based on public health or one that enables private profit interest in the retail of alcoholic beverages (Systembolaget, 2019). They argue that the issue with the farm sales debate is that it would contradict the EU law. If Sweden permits farm sales, it must apply equally to everyone who produce alcoholic beverages - both large and small producers, Swedish as well as foreign, in rural areas and in urban areas. Thus, the issue identified by Systembolaget is that farm sales would disrupt the alcohol monopoly (Ibid).

*Prognostic Frame:* Systembolaget recognizes that claims have been made to support the permission of farm sales, while still maintaining the authority of Systembolaget. However, they argue that this is not a possibility. In particular, the official government reports have presented a potential solution, but has failed to prove themselves sufficient. Lindblad emphasizes that Systembolaget acts to fulfill its restrictive purposes, but also provides efficient processes in which producers can reach consumers.

*Motivational Frame:* Systembolaget argues that if all European producers are able to sell their products everywhere in Sweden, there would not be much left of the Swedish alcohol policy. The monopoly has contributed to a better and safer society where fewer children are hurting in families where the parents drink too much (Systembolaget, 2019).

##### **The Temperance Movement: IOGT-NTO**

IOGT-NTO is a temperance movement with roots in the United States. It gained a strong position in Sweden during the 19th-century when alcohol consumption was at its highest. Today, IOGT-NTO is a non-profit, political and religiously independent organization and social movement with 27 000 members. The aim of the organization is to contribute to a safe society in which people are not affected by the negative factors that alcohol entail.

The organization is divided into three departments: alcohol- and drug politics, preventive activities, and social activities. The political department seeks to inform the policy makers and the public regarding the dangers alcohol consumption can bring by engaging in seminars as well as policy debates. Irma Kilim is the head of the political department, with the aim to influence the Swedish alcohol policy on a regional, national and EU level.

*Diagnostic Frame:* According to Kilim, the issue with farm sales of self-produced alcoholic beverages is not a matter of increasing the accessibility of alcoholic beverages since this, in turn, would not have a negative impact on the public health. She explains that the increase in alcohol consumption associated with permitting farm sales would be relatively small. However, Kilim argues that the issue rather concerns the threat farm sales would bring on the existence of Systembolaget, which is associated with Sweden's EU membership. The fact that the Swedish farms would have a competitive distribution advantage over foreign producers would contradict the EU law regarding the internal market. Thus, Kilim's diagnostic framing of the policy issue is the threat against the Swedish alcohol monopoly.

*Prognostic Frame:* Kilim states that there is no room for a compromise between Systembolaget's existence and legislation of farm sales. The only solution to the issue is to maintain the status quo. She motivates this by mentioning the proposed solution of allowing wine farms to sell their self-produced wine directly to their visitor. This would simply induce other producers such as microbreweries to argue that they also should gain the right as well. Their claim would be legitimate considering the Swedish law of freedom of trade, where all businesses within an industry should have the same commercial rights.

*Motivational Frame:* Kilim concludes that legislation of farm sales would put the Swedish alcohol monopoly at risk, which is not a risk that is worth taking. If farm sales would be legislated, Systembolaget would inevitably fall and it would fail to fulfill its purpose. She argues that the Swedish alcohol monopoly is essential for public health as it prevents people from experiencing the negative outcomes of alcohol entails. This is what she considers the essential argument of the debate.

## **Left-Wing Parties: The Social Democrats**

Hans Hoff has been a member of the Swedish major left-wing party, the Social Democrats for 27 years. He is currently a member of the parliament and has previously been working within several committees. Today, Hoff works within the Parliament's Social Committee and has therefore been involved in the farm sales debate. He states that the motions regarding farm sales are primarily initiated by the Central Party, and managed by the Social Committee in the Parliament.

*Diagnostic Frame:* Hoff explains that legislation of farms sales itself would not significantly increase alcohol consumption. The issue is instead that legislation would contradict the purpose of Systembolaget and risk its existence, considering the EU law. Thus, the issue of the farm sales debate regards whether Sweden should have an alcohol monopoly or not. To this, he means that the abolishment of Systembolaget would bring immense negative consequences.

*Prognostic Frame:* Hoff suggests that it is practically useless to try to permit farm sales if the monopoly is to be preserved. Suggested solutions, such as only permitting wine farms to sell directly to the visitors, is not possible. He claims that other actors such as microbreweries, who have the ability to produce larger volumes, will argue that the legislation should apply to them as well. When asked about the issues regarding the increased purchases of alcohol abroad and the black market, Hoff suggests that the problem should be addressed with increased border control and police enforcement – not lower taxes.

*Motivational Frame:* Hoff argues that keeping Systembolaget current position is of greater importance than permitting farm sales. This is because of the fundamental purpose of Systembolaget: limiting accessibility and managing prices in order to reduce the level of alcohol consumption. In turn, this decreases crime and damages conducted under the influence of alcohol. Hoff explains that the Swedish alcohol market is treated as a social-political issue, whereas foreign countries often see it as a matter of trade. However, he concludes that the morality of caring about the well-being of people outweighs the maximization of economic gain.

“The issue is not the farms themselves - their sales would not be a problem. However, we would lose our right to maintain the retail monopoly. This is a socio-political issue, not a commercial one.” - Hans Hoff, The Social Democrats

#### 4.3.3. Key Industry Actors

##### **Industry Expert: The Swedish Alcohol Suppliers' Scrutineer**

The Swedish Alcohol Suppliers' Scrutineer (AGM) monitors the marketing of alcoholic beverages in Sweden. The AGM is the self-regulatory function for the Swedish alcohol industry and is not a governmental authority. The AGM is Mattias Grundström, who has previously been responsible for the Swedish Consumer Agency's supervision of alcohol marketing. He has also been appointed as an expert by the government in a previous inquiry regarding alcohol marketing and has a master's degree in European Law.

Grundström explains that there are no supranational unanimous rules for the marketing of alcohol. However, member state's laws must act according to EU regulation on free trade. According to Grundström, the legislation of farm sales is not possible without contradicting the EU law and, in turn, surrender the exception Sweden has received regarding the alcohol monopoly. Grundström further suggests that a Swedish alcohol industry without Systembolaget would disfavor large corporate suppliers. If farm sales would be legislated and Systembolaget abolished, free competition would emerge, prices would be pushed down and the producers would have to sell larger volumes to obtain the same level of revenues as in the current market structure, in which the margins are high.

Furthermore, Grundström explains that legislation of farm sales itself would neither generate a substantial increase in alcohol consumption, nor a significant sales increase for the wine farms. He argues that wine farms rather receive profits on other aspects of their businesses. However, if the alcohol monopoly would fall, the increase in alcohol consumption would probably be significant. According to Grundström, the main issue with the Swedish alcohol industry is not about whether or not farm sales should be able to sell self-produced alcoholic beverages directly to consumers, it is rather an issue of the shortcomings of Systembolaget: high taxes that create a black market in which alcohol is purchased abroad instead of in Sweden. Thus, he suggests that a more appropriate policy change would be focused on tax reduction.

"Farm sales would not judicially work. No political party claims they want to abolish Systembolaget, but that is what legislating farm sales would lead to. Simultaneously, there is no pressure from the larger industry alcohol producers since the margins they obtain at Systembolaget are very high. Therefore, they have no desire what so ever to permit farm sales." – Mattias Grundström, AGM



### **Industry Expert: Spin The Bottle**

Spin the Bottle is a marketing agency that works with products within the Nordic beverage industry. Wine importers are their primary customers, for which Spin the Bottle assists with PR, media consultancy as well as commercial development. In order to market the product in accordance with Swedish alcohol regulations and policy, it becomes vital to understand Systembolaget and its supplier selection process. Thus, the nature of Spin the Bottle's business has provided them with important insights in the Swedish alcohol industry and the actors they work with. An interview has been conducted with one of the founding partners of Spin the Bottle, Johan Sjökvist.

According to Sjökvist, the farm sales debate is in practice pointless. He argues that legislation of farm sales would result in an insignificant sales increase without substantial benefits for wine farms or other actors. Producing large volumes of wine is rather costly for wine farms. Sjökvist further explains that the only change the farm sales debate can generate is a disturbance of Systembolaget's function. In particular, a Swedish alcohol industry without Systembolaget would be a misfortune for market actors, such as wine importers, who gain several benefits from the current market structure.

Sjökvist emphasizes that the benefits Systembolaget provides outweigh the potential benefits that a free alcohol market would potentially provide. He explains that there are logistical benefits of having one single retailer of alcohol. Firstly, Systembolaget provides sales data with high accessibility. Secondly, market actors such as wine importers do not need large sales divisions in order to allocate resources on getting their products into various retailers, such as supermarkets. These other retailers supply a wide range of product categories and would not be able to provide the same high-quality sales data as Systembolaget does. To attend to the shortcomings of Systembolaget, Sjökvist suggests that taxes on alcohol should be harmonized. He argues that it would be more appropriate to maintain Systembolaget, but also implement changes in the market via tax reduction.

### **Private Industry Actor: Pernod Ricard**

Pernod Ricard (PR) is an international corporation working as an importer, agent, and consultant within the alcohol industry. In addition to the PR's brands, it represents a selected number of other major producers. In this way, they are able to offer a wide range of products for the Swedish market. As mentioned, PR acquired the previous monopolized alcohol producer V&S in 2008. Per Delby is the sales director at the Swedish division of Pernod Ricard. Delby states that that 80 percent of PR's sales are to Systembolaget, but also mentions that they are publicly neutral in the farm sales debate.

However, he explains that they experience several benefits with the logistics provided by Systembolaget. Since there is only one single distribution channel to reach consumers, it relieves the company from having to manage an expanded sales department that works with sales towards several retailers. He compares the potential free alcohol market to other industries' commodity suppliers who currently are trying to distribute via supermarkets, which is described as a complex and difficult project.

The primary problem Delby identifies with Systembolaget concerns the high alcohol taxes and its contribution to creating a black market. He states that 50 percent of all consumed spirits in Sweden are not purchased in Sweden and much of the alcohol consumed is smuggled into the country from abroad. Delby further identifies an issue with the very definition of the farm sales debate. It only refers to farms but does not bring much attention to microbreweries. Microbreweries, in contrast to wine farms, would be able to produce significant volumes which would become an issue in terms of increased alcohol consumption. Finally, Delby concludes that importers generally are content with the service provided by Systembolaget and do not consider the possibility of legislation of farm sales as a threat to their business.

### **Private Industry Actor: Contemporary Wines**

Contemporary Wines is a Swedish wine importer, bringing alcoholic beverages from abroad to Sweden. In addition to wine imports from external producers, the company owns several products that they import. The company furthermore works with advertising to increase the demand among Swedish consumers and, in turn, seek to increase the volumes ordered from Systembolaget. The representative of the organization who is interviewed is the CEO, Anna Andrée Jeppe.

Andrée Jeppe describes Contemporary Wine's relationship to Systembolaget as moderate, but not close. She also emphasizes that the company is not actively engaged in the farm sales debate. According to Andrée Jeppe, the legislation of farm sales would not affect their own business, since the sales increase of farms would be insignificant. Although farm sales itself would not have a substantial impact on the market, she argues that it would be unfair to other market actors, including Contemporary Wines, if wine farms would be allowed to evade the current distribution system. Andrée Jeppe concludes that she perceives that the farm sales debate is rather a political issue that does not affect their current position on the market.

## 5. Analysis

The latest historical transformative moment of the Swedish alcohol industry investigated is when Sweden entered the EU and deregulated the production monopoly V&S, but maintained its distribution monopoly - Systembolaget. The next transformative moment can potentially be what the current farm sales debate would entail. As presented, several value conflicts have emerged throughout history and shaped the Swedish alcohol industry into what it is today. This analysis aims to bring forth the value conflicts exhibited in the current farm sales debate, based on the interviewees' framing of the issue.

### 5.1. Values of the Proposition

As the number of Swedish wine farms has increased, their position on advocating farm sales has been strengthened. Wine farms' diagnostic frame of the debate emphasizes the current sales disadvantage that wine farms face in comparison to other actors, and the inefficiency they experience when attempting to sell via Systembolaget. Their prognostic frame suggests that the solution of legislating farm sales would not interfere with the alcohol monopoly or harm public health. This would be beneficial for their businesses and the Swedish economy as a whole according to their motivational frame. Based on the wine farms' framing of the farm sales debate, the value of unfairness can be observed as a driving force driving the debate forward. In addition, the value of liberalization is surfaced as wine farms argue that a more deregulated market can be beneficial from an economic perspective.

In order to create change, the wine farms pursue to enlist support from Swedish politicians in favor of legislating farm sales. Nordqvist's diagnostic frame highlights the issue of the disadvantage small producers face in terms of sales via Systembolaget. In line with wine farms' diagnostic framing, the value of unfairness emerges as a driving force from the perspective of the right-wing parties as well. However, Nordqvist's diagnostic frame brings up a general criticism of the Swedish alcohol monopoly, in which the prognostic frame suggests a liberalization that would contribute to a more efficient Swedish alcohol market, specifically by harmonizing the taxes. This does not only imply the value of liberalization, but also individual control, which opposes a justification of state interference with a free market.

Nordqvist's framing of the issue can also be interpreted as a rhetorical frame, in which focus lies on the narrative depicted by Nordqvist as a political actor in an attempt to frame political problems, attribute responsibility and advocate particular solutions. The narrative of supporting the wine farms, who are disfavored by Systembolaget's system, portrays the right-wing as supporters for the weaker industry actors, particularly actors from the countryside. However, Nordqvist's framing fails to address that coexistence between the legislation of farm sales and Systembolaget is highly unlikely.

## 5.2. Values of the Opposition

As a response to the increased support for permitting farm sales, Systembolaget and the Temperance Movement have taken an opposing stance. These actors' diagnostic framing of the farm sales debate emphasizes that legislation of farm sales would inevitably disrupt the existence of Systembolaget, due to the EU law. Thus, their prognostic frame implies that the solution in the debate is to maintain the status quo. The motivational frame builds on the argument that the alcohol monopoly is of great importance for the public health, in which the purpose of the alcohol monopoly prevents people from experiencing the negative effects of alcohol. Thus, the value of solidarity can be observed, in which the socio-political purpose of the alcohol monopoly outweighs the economic benefits of a more liberalized market. Moreover, the emphasis on the importance of Systembolaget implies a value of state responsibility, in which the opposition believes that the state should carry the responsibility of consumers' alcohol consumption.

Systembolaget and the Temperance Movement are supported by the left-wing parties in the farm sales debate. Similarly, Hoff's diagnostic frame reflects the values of solidarity and state responsibility for the same reasons as Systembolaget and the Temperance movement. In addition, Hoff's diagnostic framing sheds light on the value of fairness, in which legislation of farm sales for wine producers would be unfair for other actors, such as microbreweries.

In similar to Nordqvist's framing of the debate, a rhetorical frame can be interpreted of Hoff's. The narrative built by Hoff frames the issue regarding farm sales as if it is not about whether farms should be permitted or not, but rather about whether or not Sweden should have an alcohol monopoly that cares for the public health. Legislation of farm sales would justify private corporations to pursue profits in the retail trade of harmful alcoholic beverages, which could be considered as immoral. The rhetorical framing can thus be interpreted as a narrative in which the state and its monopoly act as a civil servant for the benefit of the public. However, Hoff's framing of the farm sales debate does not address the high tax income that the state enjoys from Systembolaget, despite the fact that other industry actors argue that high taxes lay the ground for a black market and increased foreign consumption.

### 5.3. Values of the Key Industry Actors

Experts within the industry such as AGM and Spin the Bottle suggest that legislation of farm sales itself would neither affect the consumption of alcohol nor provide significant benefits for any industry actor. Furthermore, private actors such as Contemporary Wines and Pernod Ricard do not see that permitting farm sales would affect their businesses in any substantial way. However, these actors are aware of how a farm sales legislation would jeopardize Systembolaget's existence. What these actors have in common is that they are content with the current market structure, in which they advocate the maintenance of the status quo. The private actors operate in accordance with a liberal view of the economy in which they seek to maximize their profits, which would imply the value of individual control, which opposes state interference with supply and demand. However, these actors are in favor of the current system, which indicates that they are rather driven by the value of state control. This can be explained by the benefits these private actors experience by having Systembolaget as a single distribution channel; logistical benefits, operational effectiveness, and high margins as well as a constant presence on Systembolaget shelves.

**Table 2.** An Historical Overview of Transformational Moment (Extended)

<b>Transformational Moment</b>	<b>Time Period</b>	<b>Values</b>	<b>Main Actors</b>
The Establishment of the Alcohol Industry	1800-1954	Liberalization vs Solidarity, Fairness vs Unfairness	State, Farmers, Private Actors, Temperance Movement
The Establishment of Systembolaget	1954-1995	Individual vs State Control, Fairness vs Unfairness, Liberalization vs Solidarity	State, Temperance Movement
The EU Membership	1995-2019	Liberalization vs Solidarity, Individual vs State Responsibility	EU, State
The Farm Sales Debate	2019 -	Fairness vs Unfairness, Individual vs State Responsibility, Individual vs State Control, Liberalization vs Solidarity	Wine Farms, State, Systembolaget, Temperance Movement

## 6. Discussion and Conclusion

### 6.1. Discussion

#### 6.1.1. Driving Forces: Fairness versus Unfairness

Throughout history, the value conflict of fairness versus unfairness has been the trigger of transformational moments. The value of unfairness depicts a discontent for the status quo and launches movements in the market. In 1854 when home-distilling was banned, the value of unfairness emerged as farmers perceived the act as unjust. Moving on, the value of unfairness became a driving force in the abolishment of the Ration Book System in 1954, as it was considered to be a discriminative class-based system. Today, the proposition of legislation of farm sales may be driven by the value of unfairness as well, where wine farms are perceived to be in a disadvantaged position in the alcohol industry. In contrast, it can be argued that the value of fairness drives the opposition's pursue to protect the industry's status quo, as they argue that all actors should have the same distribution opportunities. Although key industry actors are not active participants in the debate, their opinion implies that the current market is fair.

#### 6.1.2. Driving Forces: Liberalization versus Solidarity

The value of liberalization refers to deregulation in order to obtain a freer market. Liberalization was a driving force in the abolishment of Motboken in 1954, as well as when Sweden entered the EU, leading to the dismantling of the production monopoly, V&S. Meanwhile, the distribution monopoly Systembolaget was maintained. Overall, history has demonstrated that Sweden responds to reckless alcohol consumption by constructing a highly regulated alcohol market, one which ever since has been facing steps of deregulation, to which the value liberalization has been central. Alike the historical gradual deregulations, the proposition in the current farm sales debate advocate liberalization in terms of opening up for farm sales and lowering the alcohol taxes, while maintaining Systembolaget. On the other side of the debate, the opposition's stance can be interpreted to be driven by the value of solidarity. More specifically, these actors advocate for the current monopolized industry structure, as they argue that it is essential to the protection of public health. Since the beginning of the 1800s, the value of solidarity has taken the caring for people's discipline, character, and health into consideration, which appears to be the pillar on which the Swedish alcohol policy is built today.

### 6.1.3. Driving Forces: Individual versus State control

At the same time as the state launched a more liberal strategy of the distribution monopoly during the 1990s, they wished to maintain a high degree of state control which is exhibited in the monopoly itself; limited accessibility and high alcohol taxation. However, this construct is opposed in the farm sales debate, in which the opposition's stance is driven by the value of individual control. This value opposes the state's interference in the market, particularly in farm's ability to distribute their products directly to the consumer. Although the state's control and farm sales do not seem to directly conflict each other, the EU law that threatens Systembolaget's existence indirectly fuels the fire of the value conflict. Furthermore, this value conflict concerns the issue of Systembolaget's high taxes, in which the proposition and key industry actors recognize inefficiencies with the current state control.

### 6.1.4. Driving Forces: Individual versus State Responsibility

During the transformative moment when Sweden entered the EU, the value of individual responsibility was observed alongside the liberalization of the market. Consequently, the state handed over the responsibility of the alcohol issue primarily to individuals and other organizations. However, the value of state responsibility can still be seen as highly present. The opposition's emphasis on the importance of Systembolaget's existence may be a strong driving force in the debate. In conjunction with the value of solidarity, the opposition may be driven by the sense that the state should somehow carry the responsibility of consumers' alcohol consumption. However, the analysis indicate that the value of individual responsibility is not directly addressed by neither the proposition nor key industry actors.

### 6.1.5. Paradoxes

Although values that have shaped the alcohol industry throughout history have been identified as current driving forces, there are three paradoxes that can further explain the driving forces of the farm sales debate. Firstly, the right-wing politicians advocate farm sales and they are officially in favor of keeping Systembolaget, although it appears clear that these two are not compatible. This could imply two possible agendas. Firstly, the rhetorical framing of politicians allows for an interpretation where political actors' favoring of farm sales is a calculated strategy to gain votes. Secondly, the narrative which depicts Systembolaget and the alcohol industry as inefficient may be an attempt to delegitimize the alcohol monopoly and its current system, in which the farm sales debate is a tool to eventually deregulate the monopoly entirely. Although the right-wing parties are officially in favor of Systembolaget's existence and legislation of farm sales, what their actual interests and intentions are remain uncertain. The driving forces identified in this paradox could thus be the pursuit of political popularity or hidden ideological motives.



Secondly, the left-wing parties' rhetorical framing of the farm sales debate depicts how the state and its monopoly benefit public health. Simultaneously, it fails to address the arguments that high taxes lay the ground for a black market and increased emigrating consumption. An interpretation of this is that left-wing parties are not only driven by the socio-political purpose of Systembolaget, but also the state's economic interests in the alcohol monopoly - the tax income from Systembolaget. Thus, the value of state control may be a driving force for the political opposition. In this paradox, the left-wing politicians play down the significance of high taxes and black markets to steer the debate towards fewer interventionist forms of deregulation which are keeping with their interests.

Legislation of farm sales would free the market from a retail monopoly, thus increasing the number of distribution channels to reach consumers. This can be assumed as a desirable scenario for private actors, however these actors are in fact in favor of the regulated status quo. This can be explained by the benefits the current alcohol policy brings the major private actors. Thus, the final paradox speaks to the possibility that the larger private actors indirectly take an opposing stance in the farm sales debate, even though these actors officially are not active participants. In conclusion, it observes profiteering as a potential driving force.

## 6.2. Conclusion and Implications

Based on the notion that actors' interests, positions, and arguments are historically formed, the study has investigated how values and interests have shaped the Swedish alcohol industry since the beginning of the 19th century. Although the different values have been continuously recurring during different transformative moments in history, their context and importance have constantly changed over time. Framing theory has been used as a tool to explore the farm sales debate, and proven that it can be conceptualized and represented in different ways by stakeholders in strategic attempts to further their interests. On the basis of the stakeholders' framing of the policy debate, it has been found that value conflicts that have emerged throughout history are still driving forces in the current farm sales debate. In addition, paradoxes in the debate reveal additional possible driving forces. In conclusion, the farm sales debate is an outcome of negotiation and power struggle amongst these driving forces.

Furthermore, the discussion implies a low probability of farm sales being integrated into the current monopolized alcohol industry. The farm sales debate raises the question of whether Sweden should maintain Systembolaget or not, since the exception received from the EU is put at risk. However, neither the proposition or opposition advocate the removal of Systembolaget and the alcohol monopoly appears to be deeply institutionalized in the industry. Thus, it does not appear probable that legislation of farm sales would occur. However, the proposition's critique against Systembolaget could highlight other policy issues that can lead to other changes, such as a maintained distribution monopoly but with harmonized taxes.

### 6.3. Potential Shortcomings

In similar to other studies, this thesis has several potential shortcomings. First, there is an uncertainty to what extent the interviewees have answered honestly. Various underlying interests can have prevented true opinions from being outspoken. Second, although the thesis attempts to address possible hidden agendas, conclusions cannot be drawn with absolute certainty. Third, the format of this thesis is a qualitative and have required the authors to make interpretations of the empirical data. As these interpretations are limited by the authors, there might be findings that have been left unaddressed. This uncertainty could have been prevented by strengthening the internal validity, for instance by having a larger number of interviews with different categories of actors, as well as with more actors within each category. Despite these potential shortcomings, the thesis succeeds in answering its questions and can thus be said to have a strong internal validity.

Regarding the thesis's external validity, it can be stated that since the conclusions are unique to the questions they answer, they are not generalizable for other monopolized (or non-monopolized) industries. However, the theoretical framework which was used to capture the transformative moment can be applied as a tool for future market studies, specifically if they are characterized by a complex market structure or policy debate. To conclude, while this thesis did not produce a generalizable conclusion when answering its research questions, it has hopefully provided a more generable contribution to the structuring of complex markets, in a comprehensible and constructive manner.

### 6.4. Future Study Proposals

This thesis aims to bring greater understanding to the Swedish alcohol market and the farm sales debate, as well as the forces that constitute it. However, the study does not exhaustively fill the research gap, which is why the authors encourage future research within the field. To provide more content to the farm sales debate and the structural issues of the alcohol industry, one suggestion is to conduct a study comparing the pros and cons of a regulated versus the deregulated market. This could be executed by a qualitative study complemented by a quantitative one. The qualitative could observe softer values

such as health effects while the quantitative one could investigate the monetary value of a deregulated market, versus the current regulated one. This type of comparative study could contribute to the debate as it would provide practical conclusions regarding the real effects of permitting farm sales.

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## 8. Appendix

### Appendix 1. An overview of the conducted interviews

Name & Time	Position	Type	Interviewee
Föreningen Svenska Vinodlare (FSV) [12-03-2019, 1.5h]	Proposition	Association	Staffan Lake, Representative Member
Långmyre Winery [07-03-2019, 1h]	Proposition	Wine Farm	Emma Serner, Farmer & Owner
The Moderates (Moderaterna) [07-03-2019, 1h]	Proposition	Political Party, Right-wing	Joel Nordqvist, Party Member
Systembolaget [11-04-2019, 45min]	Opposition	Retail Monopoly	Johan Lindblad, Public Relations Director
IOGT-NTO [18-04-2019, 1h]	Opposition	Temperance Movement	Irma Kilim, Head of Policy
The Social Democrats (Socialdemokraterna) [09-04-2019, 1.5h]	Opposition	Political Party, Left-wing	Hans Hoff, Parliament Member
The Swedish Alcohol Suppliers' Scrutineer (Alkoholgranskningsm annen) [09-04-2019, 1.5h]	Key industry Actor, Industry Expert	Marketing Monitor	Mattias Grundström, the AGM
Spin the Bottle [15-03-2019, 1.5h]	Key Industry Actor, Industry Expert	Marketing Agency for Alcoholic Beverages	Johan Sjökvist, Founding Partner

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Pernod Ricard [08-04-2019, 1h]	Key Industry Actor, Private Actor	Alcohol Agent, Importer and Consultant	Per Delby, Sales Director Sweden
Contemporary Wines [08-04-2019, 1h]	Key Industry Actor, Private Actor	Wine Importer	Anna Andrée Jeppe, CEO

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