SUMMARY

THE NORDIC ALTERNATIVE

A seminar of the Olof Palme International Center
Stockholm • 12 March 2001

The Swedish national security expert, Sune Persson, has written that, ”During the 20th century, the five Nordic countries have developed societies which are perhaps the most successful in human history. Some of the world’s richest countries have emerged from a background of extreme poverty. Wealth has been more evenly distributed than perhaps anywhere else, and this applies to equality between men and women, socio-economic classes and geographical regions.”

Others appear to be considerably less impressed. The Nordic model of society has been criticized on a variety of philosophical, social-psychological and economic grounds. Among other things, it has been accused of weakening moral fibre, stifling individual freedom and creativity, hindering economic growth, and more.

Are such criticisms justified, or does the Nordic model have something valuable to offer, at least to the peoples of the Nordic countries? This and related questions were at the focus of a seminar on ”The Nordic Alternative” that was held in Stockholm on 12 March 2001. The seminar was offered by the Olof Palme International Center and co-ordinated by Nordic News Network.

General welfare

For Lars Enqvist, there appears to be little doubt of the Nordic model’s enduring value in reducing poverty and promoting individual freedom. In his welcoming address, the Swedish Minister of Health & Social Affairs reviewed the achievements of the past century with an eloquent conviction that has rarely been observed in a prominent Social Democrat since Olof Palme was assassinated fifteen years ago.

”The basic principle of our model,” he explained, ”is that everyone contributes via taxation, and everyone gets something back. This strengthens social cohesion. It has also been demonstrated that general welfare systems-- those from which everyone benefits-- provide the greatest advantages to those who are least well-off.”

But not all disadvantages have been eliminated, and Engqvist referred to three problem areas of particular concern: the persistent unemployment of many workers despite the current economic prosperity, discrimination against immigrants, and the social alienation of the disabled.

Efforts to deal with such problems have been complicated by a major shift in social outlook. Citing John Kenneth Galbraith’s observation that the late 20th century was dominated by the notion that the poor had too much wealth and the rich too little, Engqvist argued that, ”The most important task, now, is to shift the perspective once again-- to take the situation of the least well-off as the point of departure for public debate and political action.”

Four alternatives

As Lars Engqvist pointed out, such a perspective is implicit in the Nordic model of society, whose statistical profile was reviewed by Prof. Joachim Vogel. Summarizing a large body of data, he demonstrated that the Nordic countries form a pattern that distinguishes them from two other clusters of European countries on a number of dimensions.

The Nordic model combines an extensive social insurance system with labour market policies that promote full employment, equal opportunity and an equitable distribution of wealth. The broad-based labour market supports an extensive public sector and social insurance system by widening the tax base and limiting the need for direct intervention by social authorities.

Thus, the lowest levels of socio-economic inequality and poverty in the industrial world are associated with a strong state and a strong market, which reinforce each other.

In contrast, the Southern European model combines a weak state and a weak market with a correspondingly heavy reliance on the traditional family. Levels of poverty and inequality are high; and a personal price is paid by women, young people and the elderly in the form of financial dependence on middle-aged patriarchs, who in turn bear a heavy burden of responsibility.

A third European model is represented by most of the continental countries in between, including France, Germany, the Netherlands, Austria, Luxembourg and Belgium. England, and to some extent Ireland, are special cases which in many respects resemble the southern cluster of countries.

Yet a fourth alternative, the ”American” model, was cited by economist Stein Reegård in a comparison of ”the two extremes in the developed world”. He presented data from the United States and Norway which indicate that the two countries are quite similar in terms of economic productivity. But they differ dramatically when it comes to distributing the fruits of that productivity.

The data reveal that the U.S. is clearly a society of winners and losers, with a minimum wage that is impossible to live on, and a corporate elite with an average income 200 times greater than the average worker’s. By comparison, income distribution is much more even in Norway, where it is possible to maintain a decent standard of living on the minimum wage.

These and other factors reviewed by Stein Reegård served to sharpen the profile of the Nordic model by comparing it with a very different type of society. The comparison is especially apropos, given that the Nordic countries are under strong pressure, from within and without, to adopt basic components of the U.S. model-- a problem discussed in greater detail by Prof. Werner Wilkening (see below).

Post-industrial strategy

Against this background, the keynote speech of Prof. Gösta Esping-Andersen focused on major challenges of the post-industrial era. The conceptual framework for his analysis, as for the entire seminar, was provided by his report to the European Union entitled ”A Welfare State for the 21st Century” (available on the seminar web site: **www.nnn.se/seminar.htm**).

As explained by Prof. Esping-Andersen, the emerging post-industrial society is characterized by: ever-increasing demands for education and cognitive skills; significant changes in the roles of women; and a demographic shift toward older population structures. All three factors have crucial implications for the future shape of the labour market and class divisions.

Among other things, the post-industrial emphasis on cognitive skills threatens to create a new underclass of those who lack the intellectual and/or socio-economic resources to acquire the necessary education. The large-scale movement of women into the labour force has not been accompanied by any systematic effort to replace the services associated with the traditional role of housewife, resulting in a double burden with negative consequences for women's health, marital relations and birth rates. The trend toward ageing populations and younger retirement ages is sowing the seeds of inter-generational conflict and fiscal crisis, as a shrinking work force is required to finance a steadily expanding pension budget.

To cope with these and related problems, Esping-Andersen proposes a "win-win" solution whose key elements include greater investments in children, stronger supports for women so that they are better able reconcile the conflicting demands of work and family, and a radical new concept of retirement and leisure.

"The most fundamental requirement is that children not grow up in poverty; the evidence is exceedingly clear on this point," he argued, and pointed out that the cost to society would be very modest. "A related requirement is to reduce the impact of parents' resources on children's life chances. This requires far more broad-based efforts to redistribute societal resources. . . . The Nordic countries are genuine success stories in these respects, as evidenced by comparative research on literacy levels and social mobility."

But continued success is by no means guaranteed, and recent cuts in social expenditures are a step in the wrong direction: "A child- and women-friendly policy is essential to positive welfare development in the future. . . . With a suitable post-industrial welfare architecture, neither gender nor generational divisions need result in polarization or winner-loser conflicts."

Cause for doubt and alarm

In her commentary on the keynote speech, Prof. Lena Sommestad enthusiastically supported its proposals, but noted three potential obstacles to their implementation. One is the behaviour of recent governments: "It is clear that the development of the Swedish welfare state during the past decade gives cause for alarm. In the wake of the 1990s' economic crisis, Sweden has in several important respects retreated from the priorities urged by Gösta Esping-Andersen."

Instead, Sweden has joined the European Union, which has led to an "obvious tension between the economic policy of the EU-- which focuses primarily on increasing prosperity by means of increasingly competitive markets-- and proposals for placing greater priority on investments in people".

Another problem is that progress toward gender equality is not proceeding rapidly enough, argued Prof. Sommestad: "Women's discipline and sense of duty have

until now provided the foundation for reproduction and caring services. But I do not think that this will remain the case in the future. Women demand fairness and freedom, and they will continue to do so." The implicit question was whether or not society as a whole is prepared to meet those demands, and what might be the consequences if it did not.

Economist Stein Reegård's commentary was primarily concerned with "unresolved problems related to the growing imbalance between the working and non-working segments of the population. . . . There are questions about our capacity to finance the pension system of the future."

While in full agreement with Esping-Andersen's basic analysis, Reegård was less optimistic about the prospects of developing a work force that meets all the demands of the post-industrial labour market: "While it is true that the general level of education is increasing, so are the educational demands of the labour market." He also seconded Lena Sommestad by observing that obstacles to gender equality remain, despite the advances of recent years.

History of progress

Those doubts and obstacles notwithstanding, sociologist Irene Wennemo devoted a major portion of her address to a review of the progress made by Nordic women during the past half-century.

"Just over thirty years ago, for example, the majority of Swedish women did not earn incomes they could live on," she observed. "They were economically dependent on their men. For most women, having children meant being forced to quit their jobs. . . . The notion that fathers should stay at home with their small children was unthinkable."

Since then, family life has been transformed, a fact that is clearly reflected in labour-market statistics. "In the mid-1970s, for example, one-fifth of working-age women identified themselves as housewives; last year, less than two percent did so."

The outline of a new family policy began to emerge in Sweden during the 1970s, as the labour movement started to reconsider the traditional model based on a male breadwinner and a female homemaker. The transition to the more egalitarian, two-earner household was implemented with a series of measures, of which the most crucial was a major expansion of subsidized day-care facilities.

"The family policy that took shape during the 1970s took a stance for the right of women to establish themselves in the labour market before they have children," explained Irene Wennemo. "The results seem to speak for themselves . . . . Those countries which have tried to maintain a traditional, male-breadwinner model have experienced neither high birth rates nor high rates of female employment."

Be prepared

The final presentation, by Prof. Werner Wilkening of Germany, was a personal reminiscence of numerous study visits to Sweden, combined with an urgent warning about the powerful global forces arrayed against the Nordic model.

Prof. Wilkening began his remarks by listing 23 good reasons to study Swedish society, including nearly 200 years of peace, a commitment to full employment, political control of the economy, advances in labour-market policy and the work environment, the world's highest literacy rate, expansion of the public sector to provide women with proper compensation for their labour, etc.

But now, he lamented, "Much of this has been eroded, scrapped, squandered, stolen . . . There may be people with very odd motives going around and scrapping this model-- not because they are evil individuals. They are simply representatives of contrary *interests*, a word that I have not heard very often today."

The most powerful of those interests, he pointed out, tend to be associated with the U.S. model of society which Stein Reegård had outlined earlier in the day (see above). Acknowledging what he regarded as positive attributes of the United States, Wilkening related that most U.S. citizens of his acquaintance were highly critical of their own society: "The system is increasingly felt to be excessively competitive, setting people against people, with negative effects on people's lives, their identities, their modes of thinking, their self-respect, their dignity. The laws of the market permeate every aspect of live, and most mass media present life as an unending ruthless game, a 'knockout system' which produces a small select group of victorious players-- the 'winning team'-- and ignores the masses of losers."

The growing international dominance of that system and its guiding principles constitutes a clear and present danger to the Nordic model, he warned, and suggested that most of the discussion during the seminar reflected an alarming blindness to that danger: "You had better get prepared for the new times. . . . Everything you have been discussing today may be history in something like 20-25 years."

To underline that warning, he referred to the experience of Germany in the European Union, whose policies in many respects comply with the precepts of the U.S. model: "I cannot remember anyone predicting in Germany-- not my union, not my party, the Social Democratic Party-- the restrictions on the use of public funds for the public good that have been written into the EU's Maastrich Agreement."

Retaking lost ground

Prof. Wilkening sobering analysis provided an appropriate setting for the concluding remarks of Carl Tham, Secretary-General of the Olof Palme International Center, who emphasized the need for politicians to retake at least some of the ground they have lost or surrendered to market interests.

"In contrast to what many what like us to believe, there is a great deal of room for political decisions," he maintained. "We must not hide behind the fact that we are internationally dependent and say that, well, everything is decided somewhere else. That is true for some things, no doubt. But not for everything."

Increasingly for Sweden, that "somewhere else" is Brussels and the European Union, whose policies were implicitly or explicitly called into question by several speakers at the seminar. Arguing that the EU's economic policy is seriously flawed, Tham noted that it had already left its mark on Sweden: "There has been a shift in

priorities from an emphasis on full employment to combating inflation. That shift has led to many other changes that we have experienced, many of them negative."

Nevertheless, the Swedish version of the Nordic model has survived both EU policy and the economic crisis of the 1990s more or less intact: "The system was able to cope with the pressures to which it was subjected, and thus prevent drastic reductions in the incomes and general welfare of the great majority. . . . The question now before us is how to design the system so that it is able to meet future challenges."

Among other things, this means defending the general-welfare system much more vigorously than has often been the case in recent years. It is also necessary to repair "cracks" in the system which threaten to weaken the ethic of mutual solidarity on which it is based.

Noting that it was obviously impossible to consider the full range of relevant issues within the space of a single day, Carl Tham ended the seminar by thanking all present for their participation, and urging them to continue the discussion in other forums.

— *Al Burke, Co-ordinator*