

Lundberg, Urban

# A Leap in the Dark

From a Large Actor to a Large Approach: The  
Joint Committee of the Nordic Social Democratic  
Labour Movement and the Crisis of the Nordic  
Model

## **A Leap in the Dark**

### **From a Large Actor to a Large Area Approach: The Joint Committee of the Nordic Social Democratic Labour Movement and the Crisis of the Nor- dic Model**

By Urban Lundberg

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## **Sammanfattning**

Syftet med denna arbetsrapport är att undersöka de nordiska socialdemokratiska partiernas egna ansträngningar att hantera den nordiska välfärdsmodellens inre och yttre utmaningar. Relationen mellan vad socialdemokraterna gör och välfärdsstatens utformning framstår, helt enkelt, inte längre som oförmedlad och oproblematiserad. Hur skall deras strävanden förstås om de inte längre lika självklart kan beskrivas som uttryck för en rörelse som bygger, förfinar eller med näbbar och klor försvarar en välfärdsmodell av särskild nordisk typ? Hur har socialdemokraterna i Norden legitimerat sitt agerande över de senaste decennierna? Vilken roll har föreställningen om en nordisk modell spelat i den förändrings- eller transformationsprocess som bevisligen har ägt rum?

I praktiken är svaren på dessa frågor beroende av utvecklingen i de nationella partierna. Socialdemokratin i de nordiska länderna är inget enhetligt subjekt. Även om det finns många gemensamma drag har de alltid arbetat utifrån skilda förutsättningar, sökt olika reformvägar, ingått olika koalitioner, och ställts inför olika problem. En gemensam nämnare för mer generella resonemang finner man emellertid i de diskussioner om den nordiska modellens framtid som redan från slutet av 1970-talet började föras i Arbetarrörelsens nordiska samarbetskommitté (SAMAK). Det är verksamheten i detta nordiska samarbetsorgan som står i centrum för denna artikel.

## **Abstract**

The purpose of this paper is to examine the Nordic Social Democratic parties' own efforts to manage the inner and outer challenges of the so-called Nordic welfare model. The relationship between what Social Democracy does and the shaping of the welfare state seems, quite simply, no longer as direct and unproblematic. How should their political endeavours be understood if they can no longer unquestioningly be described as an expression of a movement that builds, refines, or defends tooth and nail a welfare model of a particular Nordic type? How have the Nordic Social Democrats legitimised their actions in recent decades? What role has the notion of a Nordic model played in the change or transformation process that has taken place?

In practice, the answers to these questions depend on developments in the national parties. Social Democracy in the Nordic countries is not a uniform subject. Although there are many common features, Nordic Social Democrats have always worked under varied conditions, sought different paths toward reform, entered into different coalitions, and faced different problems. There is, however, a common denominator for a more general line of reasoning to be found in discussions of the future of the Nordic model that began in the late 1970s within the Joint Committee of the Nordic Social Democratic Labour Movement (Arbetarrörelsens nordiska samarbetskommitté, SAMAK). This paper will focus on the activities of this Nordic co-operative body.

The Labour Movement and the Social Democratic parties have traditionally enjoyed an exceptional position in studies of the development of the welfare state. For many years, the design of the welfare state was equated with the conditions, vigour, and strategic capability of Social Democracy. Where Social Democrats were well organised and successful, the welfare state grew large and encompassing; where they were weak and fragmented, the circumference of the welfare state shrank. This Social Democratic or labourist interpretation has especially dominated studies of the development of the welfare state in the Nordic countries. One can say that the Nordic welfare model has become an archetype of what Social Democracy does when given the opportunity to “act social democratically” within the framework of a democratic polity.<sup>1</sup>

It is certainly possible to object to this picture. Even in the Nordic countries, other actors within politics and bureaucracy alike have influenced and informed development.<sup>2</sup> Many welfare reforms were underpinned by broad social compromises.<sup>3</sup> Nor was the direction of the Social Democratic compass always as obvious as scholars later wanted to maintain. The Nordic model, “was not constructed in advance on the drawing table, but rather in hindsight, in the rear-view mirror.”<sup>4</sup> Others believe that talk of a Nordic model glosses over important differences between the Nordic countries. Finland, for instance, allows itself only with great resistance to be slotted into the thesis of the critical significance of Social Democracy, not to mention Iceland.<sup>5</sup> When one delves more deeply into individual policy areas, the countries demonstrate a substantial wealth of institutional variation.<sup>6</sup>

Despite these internal scholarly challenges, the circumstance that the Social Democratic interpretation is losing its appeal has nothing to do with either new empirical findings or new, more reliable theories. Of greater significance are the trials that many researchers believe Nordic Social Democrats are facing. The Nordic model, with its universal and income-related social insurance system and tax-financed public sector, is now regarded as a model constrained by impediments. The accepted picture in the literature is that the prerequisites for a successful traditional Social Democratic polity have been lost. Globalisation of the financial markets and the Europeanization of the goods and labour markets have, combined with an ageing population and incipient tax saturation, undermined the economic and social foundations of the Nordic welfare state.<sup>7</sup>

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<sup>1</sup> Stephens 1979; Korpi 1983; Esping-Andersen & Korpi 1984; Gøsta Esping-Andersen 1986.

<sup>2</sup> Hecló 1974; Castles 1978; Baldwin 1990.

<sup>3</sup> Lundberg & Petersen 1999.

<sup>4</sup> Stråth 1998, 19; Åmark 1999; Svensson 1990.

<sup>5</sup> Kettunen 2001; Jonsson 2001.

<sup>6</sup> Christiansen & Petersen 2001.

<sup>7</sup> For an overview of this crisis literature, see Chr. Pierson 2001; Vartianinen 2001.

To many researchers, the ultimate proof of this is that Nordic Social Democracy in the 1980s and 1990s, both in governing and opposition positions, was instrumental in a number of reforms whose content deviates from that which is usually associated with Social Democratic policy.<sup>8</sup> This involved the abandonment of Keynesianism and taking decisions to deregulate the credit and currency markets; the lowering of benefits, the introduction of waiting periods and more stringent eligibility requirements for social insurance programs; privatisation and management reforms in public sector service and so on.<sup>9</sup> Here we also find examples of radical reorganisations of welfare policy, such as the 1994 Swedish pension reform, whose consequences upon the formation of special interest groups in society are still difficult to grasp.<sup>10</sup> Another line of thought questions whether it is possible to preserve the distinctive features of the Nordic model in an increasingly integrated Europe.<sup>11</sup> The relationship between what Social Democracy does and the shaping of the welfare state seems, quite simply, no longer as direct and unproblematic.

One could say that in recent years, some vagueness has arisen surrounding what Nordic Social Democracies are actually doing when they “act social democratically.” How should their political endeavours be understood if they can no longer unquestioningly be described as an expression of a movement that builds, refines, or defends tooth and nail a welfare model of a particular Nordic type?

In this context, the question also emerges of how Nordic Social Democrats have legitimised their actions in recent decades. What role has the notion of a Nordic model played in the change or transformation process that has unquestionably taken place?

In practice, the answers to these questions depend on developments in the national parties. Social Democracy in the Nordic countries is not a uniform subject. Although there are many similarities and common features, Nordic Social Democrats have always worked under varied conditions, sought different paths toward reform, entered into different alliances and coalitions, and faced very different problems. There is, however, a common denominator for a more general line of reasoning to be found in discussions of the future of the Nordic model that began in the late 1970s within the Joint Committee of the Nordic Social Democratic Labour Movement (*Arbetarrörelsens nordiska samarbetskommitté*, SAMAK). This paper will focus on the activities of this Nordic co-operative body.

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<sup>8</sup> See Moschonas 2002, 190–192. This is also a basic argument in the so-called retrenchment literature. See P. Pierson 1994, ch. 2; Bonoli, George & Taylor-Gooby 2000. From an American perspective, see Lipset & Marks 2000, ch. 8.

<sup>9</sup> For a complete overview of welfare reforms in Sweden in the 1990s, see. SOU 2001:79. See also Green-Pedersen 2002, for a Social Democratic perspective on new management reforms; and Premfors & Haldén 2000; Svensson 2001, for a closer look on deregulation and privatization of public services.

<sup>10</sup> Lundberg 2003.

<sup>11</sup> Aylott 1999.

There is a long history of co-operation among Nordic Labour Movements. As early as 1886, the first Scandinavian labour congress was arranged in Göteborg, Sweden.<sup>12</sup> However, the consolidation of SAMAK into its current form was delayed until the mid-1930s, due to the radicalisation of Norwegian Social Democracy during the First World War.<sup>13</sup> SAMAK now consists of representatives of all Nordic Social Democracies and national trade union confederations, including those of Greenland, the Faeroe Islands, and Åland. The Joint Committee's mandate is to "promote union/political co-operation and assert the principles of social democracy in the Nordic region and in the international organisations in which the members are active."<sup>14</sup>

Beyond that, SAMAK functions as a relatively independent knowledge producer with its own secretariat and freestanding platform committees. The ongoing platform effort, which often gathers the leading politicians and intellectuals of the Nordic Social Democratic parties, is aimed at crafting joint guidelines for political action in national and international forums. The chairmanship and secretariat rotate among the countries.<sup>15</sup>

As suggested, it can be difficult to make any statement about the concrete significance of SAMAK.<sup>16</sup> Its primary value is likely on the indirect plane, in the opportunities for leading Nordic Social Democrats and trade unionists to establish personal contacts and compare experiences and perspectives within central areas of policy.<sup>17</sup> But one cannot ignore the Committee's significance for the creation of political identity, or sense of belonging to a greater Social Democratic whole. From a historical perspective, the Nordic element has most closely functioned as a normative yardstick for the individual members to live up to or be measured against.<sup>18</sup> In that sense, SAMAK may be described as a summoning, interpretative community where special attention is given to the idea of a Nordic model, with all that this entails. And not least importantly, it works actively to sustain the model and fill it with new content in an era when increasing numbers believe it should be relegated to the history books.

#### *From Third Road to Nordic Model*

Sociologist Anthony Giddens and many with him have pointed out that the history of Social Democratic parties is full of "third roads."<sup>19</sup> Forcing the point somewhat, one could even say that

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<sup>12</sup> Blidberg 1984; Putensen 2002.

<sup>13</sup> Blidberg 1984; See also introduction to SAMAK 1986a. Putensen 2002, 147–140.

<sup>14</sup> SAMAK 1987.

<sup>15</sup> Guidelines for SAMAK. <http://www.socialdemokratiet.dk/samak/>

<sup>16</sup> Blidberg 1984; See also introduction to *Samråd i kristid* 1986.

<sup>17</sup> See Ingvar Carlssons, former Swedish Prime Minister, foreword to SAMAK 1988, 3–5.

<sup>18</sup> See Kettunens and Petersens contributions to this volume.

<sup>19</sup> Giddens 1998.

it is in their “nature” to try to muddle their way forward between various extreme positions; that the search for a third road or a pragmatic middle way is a nearly defining characteristic for a Social Democratic party.<sup>20</sup> A couple of decades ago, they could move along a rather broad avenue between capitalism and communism.<sup>21</sup> Later examples can be described as downright balancing acts, such as the third road between the neoliberal supply economy and Keynesian demand policy that Swedish Social Democrats emphasised in the early 1980s.<sup>22</sup> What this continuous carving out of new middle roads in various historical and national settings has signified for the actual destination is, of course, another question. The metaphor of a third road seems, despite all, to presume some kind of movement from point A to point B.

And so it was during the decades immediately after the Second World War. “The great thing that has happened in the Nordic countries – that which the pioneers dared only dream of – is that hunger and mass poverty have been conquered. Workers stand today as free citizens in our Nordic societies. Class barriers are crumbling...” was the clarion cry in a resolution from the Nordic Labour Congress in Malmö in 1959.<sup>23</sup> Even then, the assembled delegates could already discern the contours of some kind of model, but it had not yet fully appeared. They could still look forward to a society where “working life and leisure hours are in harmony, where prosperity is the rule, where families live in good and spacious homes, and where all people have the opportunity to use their increasing leisure hours in a meaningful way.” And further on:

[A] society that with greater force gives young people support in their free choice of education and occupation, a society where women can freely choose their place in the home and in working life according to their desires [...] that not only has the will, but also the means to give the sick and the elderly a full portion of prosperity and progress.<sup>24</sup>

Six years later at the next congress in Oslo, the positions had been further advanced. The utopian Scandinavia as a future dream society for its own citizens had been replaced by Scandinavia as a concrete “role model” for large parts of the world when it came to “political democracy, social security, and individual freedom.”<sup>25</sup> Certainly, a great deal remained to be done. In his inaugural address, Swedish Prime Minister Tage Erlander gave special attention to the position of women. Democracy would not be complete, Erlander stressed, until the Labour Movement had “secured

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<sup>20</sup> Chr. Pierson 2001; Przeworski 2001.

<sup>21</sup> Childs 1936.

<sup>22</sup> Feldt 1991.

<sup>23</sup> SAMAK 1959.

<sup>24</sup> SAMAK 1959.

<sup>25</sup> SAMAK 1965.

justice for both women and men.”<sup>26</sup> But on the whole, the model was in place. The Labour Movement had been the dominant force behind what was described in the declaration from the congress as nothing less than an economic, cultural, and social revolution.

The Nordic model not only accentuated the distance to a recent past. It also corresponded to an almost spatial experience – a geographically delimited example of functioning democratic socialism between communism in the east, capitalism in the west, and the underdeveloped countries in the south. One cannot emphasise enough the significance of the Cold War and decolonisation as a geopolitical framework for the Nordic model’s road from potentiality to actuality. Where the superpowers and their allies were defined by the size of their armies and their economic systems, and the developing countries were placed in a civilising stage theory, the Nordic model was judged based on the quality of social welfare and the strength of Social Democratic parties.<sup>27</sup>

The congress declaration also emphasised that it was not enough for the Labour Movement in the Nordic countries to solve their own problems. “We feel a strong duty to co-operate with other peoples to realise ideas of social justice in all countries and regions of the world.”<sup>28</sup> So speaks only someone for whom the road from point A to point B is already a part of history, or otherwise expressed, for whom the road has become a model.

In terms of perspective, there is a great difference between a road and a model. Where the *road* begins with criticism of the current state of affairs aimed at openings among the opportunities and constraints of the future, the *model* represents a fixed position, or a cross-section, established in contrast to history and the international context. When the Nordic Labour Movement gathered for a meeting in Stockholm in 1973, its premise was also the opinion that they had something to defend. In the post-war era, Nordic societies had “achieved advances in prosperity nearly unparalleled in the world.” The congress’s declaration emphatically rejected the forces calling for “greater scope for private profit interests and more power to the owners of capital,” and “the bourgeois policy that would strip human beings of the opportunity to tackle the great social issues in fellowship and co-operation.” Attacks against “the welfare societies that blossomed under the leadership of the Labour Movement” would be fought back. The free market forces had “been unable to create lasting security for the people,” and were incapable of creating full employment, instead giving rise to devastating economic crises.<sup>29</sup>

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<sup>26</sup> SAMAK 1986a, 89–90.

<sup>27</sup> Musial 1998.

<sup>28</sup> SAMAK 1965.

<sup>29</sup> SAMAK 1973.

It is in this conflict-ridden landscape that the Nordic model begins to take shape in the self-confidence of Nordic Social Democrats. The congress's radical writings on economic democracy and the work environment must be understood in these overwhelmingly defensive and negative terms. The challenge of employers and the political right could only be repelled if the Social Democratic parties strengthened their control over workplaces and the capital resources managed by private interests. "By means of radical legislation, society can establish frameworks for action and therewith give unions a platform on which to stand in their [...] activities in workplaces, in companies and institutions, and in the economic sphere."<sup>30</sup>

The continuity with the positive and progressive project, which their predecessors had begun, was certainly unbroken. "The historical contributions of the Nordic Labour Movement can be traced through the decades, from the introduction of political democracy, through the work toward greater equality and social security, and onwards to current efforts to bring about economic democracy," was the word from Helsinki in 1976.<sup>31</sup> But the political trend became increasingly a matter of solidifying and reinforcing what had already been achieved. Accordingly, the distribution of income and wealth was to be equalised, neglected groups included, working life democratised, the work environment improved, and the economy democratised. Most important, however, was the crafting of a long-term employment policy "aimed at creating more workplaces and jobs for everyone." Only when every citizen had a job could Social Democracy seriously respond to the forces struggling to replace the Nordic model with "the competitive principles of capitalism or the centralism of communism."<sup>32</sup>

### *The Nordic Model in One Country*

In setting itself up as a guarantor for an existing institutional order, Nordic Social Democracy was confronted with a new dilemma. "Its future came to rest more upon the welfare state already built and less upon that which could be promised," in the words of sociologist Gøsta Esping-Andersen.<sup>33</sup> This dilemma became more accentuated in pace with the incipient structural analysis of the economic crisis of the 1970s. The SAMAK meeting in Copenhagen in 1979 emphasised that new features of development had emerged that they had not previously considered to the same extent. These included environmental and energy issues, something the congress called "resource contexts." It was also clear that people did not automatically become happier "in pace with rising material prosperity." In other areas as well, problems were piling up. Repeated oil

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<sup>30</sup> SAMAK 1973.

<sup>31</sup> SAMAK 1976.

<sup>32</sup> SAMAK 1976.

<sup>33</sup> Esping-Andersen 1985, 237.

price shocks had led to financial cutbacks in the larger industrial countries.<sup>34</sup> The entire western world had been thrown into a deep economic crisis where unemployment and inflation were rampant. This analysis triggered comprehensive and intense platform activities within the various co-operative bodies of Nordic Social Democracy, which aimed at sustaining the Nordic model as a living reality.

One could say that toward the end of the 1970s, Nordic Social Democrats were confronted with a modern version of the question of whether socialism can be implemented in one country, or must be secured by means of a “world-wide revolution” (or collaboration) that would eliminate the risks for international impulses in the opposite direction. For that reason, it should be stressed that the import of the question was substantially different for the Social Democrats of the 1970s than it was for the Russian revolutionaries of the interwar period. It was not only a matter of whether the Nordic model’s promise of social welfare and full employment could be preserved in one country, but also whether it could be sustained in countries that wanted both to keep a large part of the economy in private hands and to safeguard open markets, freedom of speech and freedom of association.

#### *A Large Actor Approach*

In conjunction with a 1983 meeting in Køge, Denmark, SAMAK resolved to appoint a working committee under the leadership of Svend Auken, a coming man within the Danish Social Democratic Party, who was charged with investigating opportunities to pursue a more expansive economic policy. The members appointed to the working committee were highly qualified. The Danish contingent, in addition to Auken, included Mogens Lykketoft and Poul Nyrup Rasmussen, all of whom were from the top echelons of Danish Social Democracy. Finland was represented by the economist Peter Boldt and Norway by Gunnar Berge, who was the Minister of Finance from 1986–1989. Swedish committee members included the Minister of Finance (1982–1990), Kjell-Olof Feldt.

The working committee’s analysis began with its assessment that the Nordic economies were severely dependent on international economic trends. The majority of Nordic exports went to the OECD-region in general and OECD-Europe in particular. The problem was that Western Europe was demonstrating weak growth. Governments were pursuing an austerity policy that had led to widespread unemployment: an estimated 20 million people were jobless. Forecast growth for the rest of the 1980s was far too low to bring about a drop in unemployment, which

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<sup>34</sup> SAMAK 1979.

was expected to be 12.5 percent in 1988. The risk was that this pattern would spread to the Nordic countries.<sup>35</sup>

OECD's response to unemployment had thus far been to allow greater scope to market forces. By means of greater flexibility, which first and foremost entailed lower wages and wider wage gaps, structural changes would occur that were expected to create growth and employment a few years down the line. However, the working committee believed that what the global economy actually needed was an active and deliberate stimulation of purchasing power and investments. But the prospects for bringing about international co-ordination in that area were dismal, to say the least. On the contrary, the guiding principle for economic policy action in Europe and the Western world seemed to be what the working committee described as economic nationalism – “everyone is trying to succeed to the best of their ability in international competition.”

Thus, the question was whether the Nordic countries would be compelled to adopt the same policy as the rest of the world, i.e. an austerity policy with strict emphasis on limiting inflation; or whether it was still possible to pursue an independent economic policy aimed at preserving the Nordic model. In the opinion of the working committee, policies of austerity necessarily led to higher unemployment, at least temporarily. However, many analysts, also in the Nordic countries, believed that the choice of following a different road would be punished by rising trade balance deficits that would, in the long term, make it even more difficult to turn economic development in the right direction.

The working committee could not share this pessimistic view of what could be achieved politically. The committee did not deny that the cost situation was very important, but it believed that under the prevailing circumstances it could better promote competitiveness by means of a proactive policy involving higher investments in technological progress, product development, and marketing. This strategy was also applicable on the global level. If all countries applied price competition by pushing wages down, the situation would be worse for everyone, as overall demand would fall too low in relation to available production capacity. The task at hand was to find methods of competition that preserved demand levels in each country and instead built on higher investments. But this, as noted, remained to be proved.

This is where the Nordic region and Nordic co-operation come in. The main idea was that margins for pursuing an independent economic policy could be expanded if the countries could successfully engineer deeper Nordic collaboration.<sup>36</sup> In a time when more countries were conceding to the dominant liberal doctrine and all national doors seemed closed, the Nordic countries

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<sup>35</sup> SAMAK 1985a, 3.

<sup>36</sup> SAMAK 1985a, 5.

emerged as a kind of geographical opening. The Nordic model was not feasible in one country, but it could be preserved in the Nordic region if borders between the individual countries were erased.

The fundamental idea in the working committee's analysis was that the Nordic countries would have more international influence if the individual countries coalesced to become one joint actor. In light of the mutual dependency that had forced the OECD countries into a deflationary spiral with growing mass unemployment, poverty, and social conflicts, it had become more important on a purely general plane to assert the importance of co-operation. Here, according to the working committee, the Nordic countries could play a vital international role. The values of democracy, justice, and solidarity that had informed the Nordic welfare societies could be held up as an alternative to the wave of right-wing ideas sweeping the world.

The combined economic power of the Nordic countries makes us nearly equal parties with the larger Western European countries. Our values and proposals will have greater impact and we will be more able to contribute to international co-operative efforts. In other words, we become more interesting and influential partners.<sup>37</sup>

The productive resources of the Nordic countries could be exploited more efficiently through increased internal division of labour and specialisation. To be sure, a great many companies were already working with the entire Nordic region as their base, but one could not claim that any real Nordic domestic market existed. The greatest gains could be made within sectors crippled by the crisis that had been forced into structural transformation by shrinking markets or stiffening competition. In technology-intensive sectors where small Nordic companies could find it difficult to survive in international competition, there was much to gain through the abolition of trade barriers and the more efficient and market-oriented utilisation of shared resources.

The working committee also believed that deeper collaboration could lead to better long-term planning and a fruitful interaction with business. The enlargement into a Nordic region would, for instance, enhance opportunities to pursue an effective stabilisation policy supported by economic policy. A co-ordinated Nordic economic policy would entail greater impact for the chosen strategy with respect to industry and sector development than would be the case if they chose to ignore one another or act in competition. The governments could also pool some of

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<sup>37</sup> SAMAK 1985a, 9.

their resources in higher education to enable specialisation and improve the quality of investments. This applied not least to publicly-run research and development.<sup>38</sup>

### *A Strategy of Solidarity*

In all essential respects, the working committee endorsed the analysis that the Nordic model was the object of strong pressure to change. Nor could any saving intervention from the international community be expected, although the working committee hoped, as shown, that the Nordic example would stimulate the dominant states within the OECD to pursue an expansive policy that actively combated unemployment. But while waiting for this to happen, the opportunity remained to merge a number of smaller states into a larger one. What was no longer sustainable in isolation could still be realised if the countries joined together within the framework of a large actor approach. At times, the report reached nearly “Nordist” heights.

We believe that in the future as well, our own social ambitions will be our primary resource enabling us to find our “niches” and develop our assets and our distinctive character. We are convinced that this will also strengthen the market position of Nordic business.<sup>39</sup>

One should not exaggerate the similarities with revolutionary Bolsheviks. Expanded Nordic collaboration did not mean the countries would be turning their backs on the rest of the world. If nothing else, that would conflict with Social Democratic ideology and pragmatic identity. Even together, the Nordic countries were not strong enough to establish economic independence. Certainly, the working committee did not agree with the analysis that the Nordic region’s only chance lay in lowering costs for the competitive sector. But this did not mean that cost trends (wages and other costs, and thus prices) could be allowed to rise faster than in competing countries.

Consequently, when the report was finally dealt with at a meeting in Oslo on 16–17 January 1985, it was resolved that the group should produce another report in which the problems of stabilisation policy were addressed in greater detail. The report would show that it was possible to inhibit the rise of prices and costs to a lower level than in the most important competing countries without abandoning the goal of full employment. The final report was even more critical of the austerity policies practised in most OECD countries. As mass unemployment tightened its grip, a deep chasm had opened in economic policy between the Labour Movement and the po-

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<sup>38</sup> SAMAK 1985a.

<sup>39</sup> SAMAK 1985a, 40.

litical right. The antagonism was not limited to different means of reaching the same goal, but was rather founded upon divergent opinions on economic reality.

The right wing has devised a *competition strategy* according to which economic development will be governed by “free market forces,” that is, the economically powerful. The Labour Movement’s *strategy of solidarity*, by contrast, is based on democratic decisions and aims at achieving full employment, healthy growth, and just distribution by means of active economic policy and further development of the welfare society.<sup>40</sup>

The conservative strategy had created levels of unemployment that just a few decades before had been wholly unthinkable, which made the strategy of solidarity more necessary than ever. As suggested above, however, the problem with the strategy of solidarity was, in the eyes of many, that it offered no credible cure for inflationary tendencies in modern mixed economies. This was described as a fundamental lack, as low inflation was essential to succeed at the task of combining full employment and healthy growth with socio-economic balance and stability. The inability to manage the inflationary effects of higher income was, according to the working committee, the Labour Movement’s weakest link in essentially all industrial countries.

The report smelled strongly of the “third road” that the Swedish Minister of Finance Kjell-Olof Feldt laid out when the Social Democrats returned to power in 1982 and argued for intensified three-party co-operation among the state, employers, and unions –, referred to as the “negotiated income policy.” The fundamental idea was that no group should be able to advance its own interests without regarding other actors in the labour market. All forms of income would be drawn into the political collaboration. To meet the objectives of the economic policy, corporate profits had to be allowed to rise even as wage earners held back their demands for higher pay. This might seem an impossible equation, and the authors conceded that the platform rested on several contingencies, not least that it truly resulted in low inflation and rising real wages, but also that the elevated level of profitability in private enterprise did not accrue to stockholders, but was instead invested in productive, employment-promoting measures.

Other contingencies applied to union leaders, who were allocated “the difficult intermediate position of guarantor of the government’s policy vis-à-vis their members, and as guarantor of the compliance of union members vis-à-vis the government.”<sup>41</sup> In addition, employers and the rapidly growing groups of middle-class wage earners must be persuaded of the advantages of the strategy of solidarity, and it must be done without alienating or disillusioning the party activists of

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<sup>40</sup> SAMAK 1985b, 7.

<sup>41</sup> SAMAK 1985b, 9.

the movement. However, no other way out was given. The strategy was necessitated by what the working committee described as “irreversible changes in economic development and the social structure.” European Social Democrats had thus far failed to present a credible answer to the question of how wage increases could be brought into harmony with the fight against inflation. The alternative was, they said, “frightening.”<sup>42</sup>

For the strategy of solidarity as well, the Nordic region, and the special relation between the Nordic countries, acted as a kind of absolute prerequisite for success. As a result of the unique position of the Labour Movement in the Nordic countries, the goal of full employment was far more strongly grounded in voter opinion than in the rest of Europe and the United States. In addition, employers and the unions had long been accustomed to assuming responsibility for social development. Throughout the 1970s, they had proven that they had a realistic understanding of the impact of wages on inflation. According to the working committee, these special conditions gave the Nordic Labour Movement “a duty far beyond the borders of the Nordic region to show that it had a practical alternative to the policy of unemployment, privatisation, and bourgeois endeavours to concentrate economic power.” And further on:

We in the Nordic Labour Movement must prove that it is possible to build a society on solidarity and equality, that the unrestricted rights of the strong are not the only solution to the problems we are facing.<sup>43</sup>

The overall results of the work of the economic policy committee were summarised in the document *Develop the Nordic Region* presented at the 17th Nordic Labour Congress in Göteborg on 15–17 November 1986. To all appearances, the proposal of a negotiated income policy was accorded a rather cool reception by the Nordic Labour Movement. At the congress, it was even subjected to a “frontal attack” by representatives of the Swedish Trade Union Confederation.<sup>44</sup> The proposals for a co-ordinated Nordic economic policy and deeper Nordic collaboration seem to have become lost in the general “speechifying”. In his surprisingly forthright address, Svend Auken could not hide his disappointment over the congress’s lack of interest.

We all sympathise with the Nordic co-operation. It has almost become a “motherhood” subject, that everybody can be for, and nobody dissociates oneself from. But if nobody dares to back the Nordic co-operation, the Nordic work runs the risk of being suffocated

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<sup>42</sup> SAMAK 1985b, 12.

<sup>43</sup> SAMAK 1985b, 14.

<sup>44</sup> Feldt 1991, 228.

by a benevolent indifference, with the consequence that the Scandinavian populations feel a growing alienation when it comes to the Nordic. The fact that we lack the courage to develop our own internal co-operation weakens our possibilities to influence the general European development. Rather than being at the forefront of development, the Nordic Countries to an ever-increasing extent react to the “European” challenge. When it is done in this way, the internal relations between the Nordic countries and their participation in the European co-operation become something unbecomingly mercenary.<sup>45</sup>

The committee’s proposal was no “vapid, emotional expression of nostalgic sentimentality.” The Nordic countries must, despite their divergent chosen paths in foreign and security policy and membership in separate trade organisations, devote themselves to a more active approach and co-ordinate their positions on the processes that had picked up speed on the Continent, above all within the framework of the European Community. It was time to put “polite phrases on the shelf” and deal with the realities, according to Auken. Social Democracy had everything to gain by strengthening Nordic collaboration, both internally and in relation to the rest of Europe.<sup>46</sup>

But in the final analysis, the Auken committee’s large actor approach was nevertheless burdened by significant non-realism. This applied in part to the difficulties that for natural reasons are entwined with bringing about a lasting Nordic government collaboration, especially since Social Democracy did not have sole rights to political power even in the Nordic countries. It also applied to the claims of having devised an exclusive Nordic method by which it was possible to keep inflation at bay in times of full employment, with no impact on international corporate competitiveness. By that point, even Kjell-Olof Feldt had joined the ranks of the doubters. The proposals in both of the working committee’s reports, he writes in his memoirs, “were more a result of political deliberations than of pure economic analysis.”<sup>47</sup>

### *Squaring the Welfare Circle*

In the mid-1980s, there was still a connection between the traditional Nordic model and the politics of Social Democracy. Both the strategy of solidarity and the proposal to forge a uniform Nordic actor corresponded to an explicit ambition to secure the continued existence of the Nordic model under new and exacting circumstances. But the rest of the world was not the only worry. Documents from the 1986 congress in Göteborg note how liberal and conservative parties

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<sup>45</sup> SAMAK 1986b.

<sup>46</sup> SAMAK 1986b, 54–55.

<sup>47</sup> Feldt 1991, 228. Feldt’s memoirs are a widely used source for the weaknesses and contradictions of the Swedish “third way” of the 1980s. See also Pontusson 1994; Sharpf 1991; Moschonas 2002, 190–192.

had to an increasing extent begun to distance themselves from the consensus that had previously surrounded welfare policies in the Nordic countries. This was expressed both in resistance to new reforms and in demands for changes to existing systems. Where the non-socialist parties had the political opportunity, certain impairments and attempts at privatisation and commercialisation had already been implemented.

Not unexpectedly, SAMAK called for a struggle against “attempts to dismantle the social security system and public sector service.” But this did not necessarily mean that the members could go on as before, in part because there were still gaps and neglected needs, and in part because they must in the future accept working within a limited scope for reform. Improvements and renewal would primarily be achieved via reprioritisation and redistribution – not between income groups and by means of tax assessments, but between various parts of the public sector and from administration to direct service production. They also had to increase citizen influence over public sector service and opportunities for people to make choices within the system.<sup>48</sup>

As a result, the continued efforts of the economic policy committee came to be oriented toward the content and organisation of welfare. When Svend Auken was elected to lead the Danish Social Democratic Party in the fall of 1987, Mogens Lykketoft took over as chairman of the working committee. The problem picture painted by Lykketoft’s committee touched upon, or anticipated if you wish, the dilemma that has become known in welfare studies of recent years as “squaring the welfare circle.” This refers to the way in which governments nowadays are increasingly faced with conflicting and simultaneous pressure from opposite directions. Economic changes towards a higher degree of internationalisation, it is argued, reduce the capacity of the state to generate new revenue, at the same time as demographic changes and rising demand for education and social services entail growing expenditures.<sup>49</sup>

The working committee declared that the problems were similar in almost all countries, but also that they were particularly onerous in societies that like those in the Nordic region had “lofty ambitions for income distribution, where one refuses to allow the wallet to determine who will get health care and who will go without.” The situation was worsened by the fact that the public sector in the Nordic countries made up a larger part of the economy than in most other countries. The working committee’s assessment was that continued tax-financed expansion of the public sector was neither possible nor desirable.

The quantitative objectives of welfare had in all essential respects already been reached and increasingly vocal and justified criticism was being directed at the quality, the administration, and

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<sup>48</sup> SAMAK 1986c, 8–10.

<sup>49</sup> Bonoli, George & Taylor-Gooby 2001, 2.

the homogeneous design of public sector activities. Citizens with distinctly middle-class backgrounds demanded more diversified and individualised service. However, there was no reason for the social democrats to allow themselves to be frightened by the re-examination and innovative thinking stimulated by the criticism.

On the contrary, we see demands for freedom of choice as a good thing and as a victory for welfare policy. After all, the extending of a strong society has created the fundamental security needed for the majority of the people to gain greater personal freedom of movement. And that was the ultimate aim for which the strong public sector was extended. The strong public sector was meant to enable more people to take steps towards a life that was at once more free and more secure. Accordingly, we should see the demands for higher quality and greater freedom of choice that are now being directed towards the public sector as a victory and as a challenge.<sup>50</sup>

It would take too long to discuss all the proposals for change discussed in the working committee's report. Common to all was an orientation toward greater efficiency and productivity within public sector service and public transfer systems. By efficiency, the committee meant directing resources toward what they called the "right activities." By productivity, they meant doing the "right things" at the lowest possible cost. The overall objective was to find ways to "lower production costs without circumscribing quality."<sup>51</sup> This was not an easy equation either. That the message was controversial is evident not least by it being accompanied by cogent one-liners meant to calm a possibly uneasy readership.

It is a matter of developing welfare in the face of new conditions, not of dismantling it.<sup>52</sup>

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While the battle cry of the Labour Movement could in the past be said to have been "More money for reforms!", it is now "More reforms for the money."<sup>53</sup>

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When we discuss the renewal of the public sector, we differ in a crucial way from the right: what they want is a *smaller* public sector, what we want to achieve is a *better* public sector!<sup>54</sup>

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<sup>50</sup> SAMAK 1990a, 15.

<sup>51</sup> SAMAK 1990a, 18.

<sup>52</sup> SAMAK 1990a, 21.

<sup>53</sup> SAMAK 1990a, 18.

<sup>54</sup> SAMAK 1990a, 8.

A few overarching themes deserve special mention. One is the proposal to separate funding responsibility from operational responsibility according to the “buyer/provider” model; that is, that certain specific activities within the framework of the public sector would be paid for via taxes but carried out by private enterprise.<sup>55</sup> Another proposal for increasing efficiency and productivity was to decentralise and delegate decision-making in the public sector as far as possible. The politicians would set goals for the programme but leave the matter of how they were to be achieved to the employees.<sup>56</sup> However, both the buyer/provider model and ambitions to decentralise presumed the design of evaluation methods aimed at ensuring that objectives were met.<sup>57</sup> The working committee also wanted to increase the citizenry’s freedom of choice, by replacing tax-financed production with transfers, for instance, or by allowing citizens to choose which hospitals and medical centres they wanted to use.<sup>58</sup>

However, the fastest growing expenditure items were found within the transfer systems. All these expenditures did not concern the design and quality of social welfare, such as agricultural and housing subsidies. But it was within the pension area that the working committee saw the most severe problems. They presented no concrete proposals for change, but declared that there were reasons to open an unconditional discussion of differentiation of the age of retirement. Up to that point, all pension reforms had in practice meant lowering the age of retirement, something that in light of demographic trends toward an increasingly older population could eventually break down the existing systems. The working committee also discussed problems related to disability and occupational injury benefits and predicted a forthcoming balancing between reduced benefits and a greater element of selective solutions.<sup>59</sup>

The final report, titled *Renew the Public Sector*, was endorsed by SAMAK without the taking of definitive positions at a meeting in Copenhagen on 17–18 January 1990. The report’s further fate and treatment were left to the respective member organisations. Lykketoft’s foreword makes it clear that earlier drafts of the report had met with sharp criticism among the members. According to Lykketoft, it was obvious that with its proposals, the committee had broken “with thinking that we otherwise have been in agreement for generations in the Nordic Social Democratic Labour Movement.” But Lykketoft emphatically asserted that the soul-searching in the report was entirely necessary, “if we are to circumvent the risk of the welfare society being threatened by bourgeois reactions against increased tax pressure and clumsy system institutions.”<sup>60</sup>

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<sup>55</sup> SAMAK 1990a, 31–33.

<sup>56</sup> SAMAK 1990a, 23.

<sup>57</sup> SAMAK 1990a, 27–29.

<sup>58</sup> SAMAK 1990a, 30.

<sup>59</sup> SAMAK 1990a, 40–41.

<sup>60</sup> SAMAK 1990b, 3–4.

### *A Large Area Approach*

When SAMAK delegates gathered for the congress in Helsinki in spring 1990, they came to bear a substantially different analysis of the world. Gone was the idea that the Nordic model could be preserved “in one country” and that the Nordic region could be established as an international actor of the same magnitude and significance “as the larger Western European countries.” Many formulations from earlier reports were still there, such as the need for a Nordic domestic market, but they were now incorporated into an entirely new strategy. Along with Larry Elliot and Dan Atkinson, one could say that the Nordic Social Democrats on the brink of the 1990s switched from a “large actor approach” to a “large area approach.” That is, they attempted to respond to the devaluation of political means on the national and Nordic levels by upgrading to the European level.<sup>61</sup> That which could not be achieved either separately or together would now be established at a still higher level, primarily through advances toward the European Community’s inner market and active participation in the struggle surrounding the direction of European integration.

Thus, the committee led by Finnish Pertti Paasio and mandated to draft a platform for the congress continued the Nordic Social Democrats’ search for a new and applicable balance between the market and politics. The internationalisation of capital entailed “greater difficulties in promoting central objectives in national economic policy for employment and investments, just distribution, and greater democracy in working life as in society at large.”<sup>62</sup>

The committee also endorsed the Lykketoft committee’s conclusion that the Nordic model was in serious need of renewal. Growth was too low; the fight against unemployment had led to inflation and waning international competitiveness. The Nordic economies were suffering from palpable structural problems. The competitive sector was too small, consumption too high, and investments too low. The hope was that by opening their borders toward Europe, the Nordic countries could benefit from the “dynamic” effects and the deregulation that the inner market was predicted to bring about. For safety’s sake, however, the congress emphasised that European integration had no inherent economic value – on that point, social democracy separated itself from the right. The expected increase in growth would be used to fight unemployment and improve welfare and the environment.

This large area approach cannot, however, be simply described as an attempt to re-establish the “Keynesian capacity” of the Nordic model in a European context. In the extension of SAMAK’s strategic shift lay a fundamental endorsement of a supply stimulating policy that encompassed a stricter jobs policy – rehabilitation instead of temporary or permanent disability

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<sup>61</sup> Atkinson & Elliot 1999.

<sup>62</sup> SAMAK 1990b, 25.

leave – and reorganisation of tax systems in a “direction that stimulates growth.”<sup>63</sup> Even the full employment objective began to be chipped away. Nordic Social Democracy certainly refused “to use unemployment as a means of pushing back inflation,” but despite that, the platform committee was forced to concede that the “conversion of the inner market” could have “a short-term negative impact” on employment. The trend would accordingly be responded to with higher investments in education, research, and a more effective labour market policy.<sup>64</sup>

### *The Logic of No Alternative*

The decision to add a European dimension to Nordic co-operation put the Nordic model into an entirely new geographical and historical context. In the report titled *The Nordic Social Model and Europe* addressed at SAMAK’s annual meeting in early 1992, the authors argued that the term “Nordic model” should be used “with some caution.” Much of what had been built up in the Nordic countries actually had its “roots in a wider European tradition.” And further on:

Our strong Labour Movements have a European history. The welfare state as an idea is a European invention. Also our political culture has a lot in common with what we otherwise find in Europe. From such a perspective, the Nordic model is not unique. It will be more correct to say that Scandinavia to a larger extent than other countries has cultivated much of the best in the European tradition. Important elements in the Nordic development of society are also to be found in other European countries. Many countries on the Continent can offer welfare arrangements that in important aspects are at least on the same a level as the Nordic.<sup>65</sup>

The key issue, however, was the more concrete impact of the process of integration on the distinguishing characteristics of the Nordic countries. What strategies would SAMAK’s member organisations devise in the new Europe when the joint Nordic strategy of solidarity had fallen by the wayside? Despite all, the acceptance of economic internationalisation meant that national governments parted with many of their national political and economic instruments. The answer was that everything in the longer term was dependent on the development on the labour market, and the hope that they could establish a European subject capable of achieving what they had failed to bring about on the national and Nordic levels.

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<sup>63</sup> SAMAK 1990b, 28.

<sup>64</sup> SAMAK 1990b, 19.

<sup>65</sup> SAMAK 1991, 5.

While waiting for this *deus ex machina*, it remained for the Nordic Social Democrats to ally themselves with the forces that were striving in the same direction. The direction of that endeavour would however by necessity be somewhat different than in the past. If it was no longer possible to pursue a tax and equalisation policy that differed from that pursued in other countries, the Nordic countries would instead have to work to bring about uniform rules that counteracted social dumping or which set the highest possible minimum standard for employer's social security contributions and other taxes that affected competition among the countries. Naturally, the Nordic co-operation did not lack meaning in the context, but according to the SAMAK secretariat it was wrong to create exaggerated expectations of what joint Nordic action could achieve.

Even if one looks at the Nordic countries jointly, it is obvious that Scandinavia only will be a small part of the total community. Irrespective of what Scandinavia will do in European politics, no results will be created if alliances with other membership nations and with political movements in the rest of the EC are not established. The policy that is pursued in the EC is a result of a process that many countries and many interests try to influence. The possible Nordic contribution will only be a small part of this.<sup>66</sup>

But neither was it possible to withdraw from economic integration. Regardless of each country's chosen road in relation to EC co-operation, of whether it chose to apply for membership or not, there were no real alternatives to adapting the Nordic model in a wider European context. "What actually means something is that all Nordic countries have elected to be a part of the open, international economy, [...] which has been, and is, a prerequisite for the economic prosperity that has laid the foundation of an advanced welfare policy."<sup>67</sup> A Nordic model no longer existed, nor hardly even a Nordic middle way. There was only a broad European beaten track that allowed no exclusive exceptions.

The French historian Gerassimos Moschonas has described this as the "logic of no alternative". It is a statutory element of a new Social Democratic identity, an identity that demoralises all actors who, like the Nordic Social Democrats in the mid-1980s, try to defend themselves against the consequences of globalisation. Thus, to unconditionally defend the Nordic model in its traditional form would, even from a Social Democratic perspective, seem to be an extreme and unjust position. Or in other words, it would seem that they had left their pragmatic attitude

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<sup>66</sup> SAMAK 1991, 27.

<sup>67</sup> SAMAK 1991, 14.

behind and instead allied themselves with destabilising forces such as reformed communists, neo-populist right-wing parties, French farmers or other “supporters of a leap in the dark.”<sup>68</sup>

How should the strategies of the Nordic Social Democratic parties within the framework of a large area approach be described? The problems are apparent – in part, because the strategies make themselves dependent on a European and global economic establishment that adheres to a market liberal orthodoxy, and in part because there is still no public power in the European collaboration capable of challenging this establishment. However, the foremost constraints on the social democrats ability to create a political counterweight are the differences among the individual countries or their heterogeneity with respect to social visions in general (national interests) and the institutional design of welfare states in particular. If it were easy to repeal national regulations with reference to the need for a new balance between the market and politics, it would be considerably more difficult to reach a consensus on an international re-regulation acceptable to all parties involved.

At the 2001 annual meeting in Sørmarka, Norway, SAMAK resolved to take an overall grip on the issue of the Nordic model’s status in the new Europe. A new working committee was appointed under the leadership of Hans Jensen (chairman of the Danish Trade Union Confederation). The working committee took an overwhelmingly proactive approach. By putting pressure on the productivity of welfare, Jensen and his colleagues hoped that member organisations would in the future be able to increase their influence on “welfare policy in the European Community at all levels.”

As in previous reports, this declared that the Nordic welfare societies were facing a great many challenges: economic globalisation, demographic trends, a widening gap between demand and resources, the shortage of labour within the public sector, increasing demands for flexibility and individualisation. In other words, the dilemma inherent in “squaring the welfare circle” identified back in the 1980s had not ceased to plague Nordic Social Democrats; on the contrary, it had intensified.

The solution to the expected rise of economic expenditures cannot be based on the total burden of taxation. The levels of contributions are already under pressure and an increase in taxation will very likely result in side effects, such as tax evasion and public resistance.

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<sup>68</sup> Moschonas 2002, 264–265.

Nor is an isolated increase of payroll taxes possible. That is due to internationalisation, where competition between countries fixes the boundaries.<sup>69</sup>

The committee's mandate rested on two premises. On the one hand, it was conditional on dissolving the destabilising features of the Nordic model, its very nature as a political project directed toward powerful capital actors. Here, the authors argued that the Nordic model was in actuality a prerequisite for national competitiveness in a global economy. Expansive welfare of the Nordic cut created secure and well-educated citizens who fared well in international competition and who did not shy away from the challenges of the new economy within information and communication technology.

On the other hand, the institutions to which the model referred had to be modified, in part via large investments aimed at increasing the supply of well-educated labour in a flexible labour market. That is, clearer emphasis was needed on the jobs and education line in contrast to the Anglo Saxon unemployment or low wage line.<sup>70</sup> This also included changing the organisation and financing of the general welfare. Here, as usual, the authors had to achieve a difficult balance in a range of areas: between supply-side and demand-side control; between private and public, national and local; between taxes and fees; in the view of freedom of choice and private sector providers in the public arena. In addition to all that, the new strategy must appear credible in the European context.

The final report, *The Welfare Society of the Future – Challenges and Considerations*, was presented at the 21st Nordic labour congress in Södertälje, Sweden in 2002. The report attached great hopes to the “Lisbon strategy” adopted by European Community heads of state and government in spring 2000.

The main assumptions behind this strategy are that there is no antagonism between welfare and competition, and that the European Community should over the span of a decade develop into a dynamic, knowledge-based economy with full employment and social affinity. Another new feature of the Lisbon strategy is that it introduces a new method for managing potential conflicts within the European Community between common objectives and national interests – “open co-ordination.” This means that it is up to individual member states to decide how and by what means common objectives should be realised. The European Community should promote converging development, but harmonisation will take place through good examples and experiences rather than political pressure and binding legal prescriptions.

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<sup>69</sup> SAMAK 2002, 7.

<sup>70</sup> Boix 1998.

On paper, one might think that the Lisbon strategy should fit the Nordic Social Democracies well. The Jensen report argues that the Nordic countries should remain at the forefront of development, or as they put it in more clichéd terms: “The Nordic region as best practice.” Despite that, the authors were compelled to declare that the Lisbon strategy otherwise left much to be desired. In particular, it took no position on the critical issue of lower wages or higher education as the road to full employment, a question that was intimately associated with the visionary and institutional heterogeneity of member states. The risk was that the Lisbon strategy would result in yet another “jam jar of difficult political choices and necessary reforms.”<sup>71</sup>

In many areas – the environment, labour market regulations, and corporate taxation – there was still a need for minimum regulations that counteracted social dumping and guaranteed that welfare systems would not be undermined in international competition. The problem was that such binding regulations would require a unanimous decision in the European Community Council of Ministers, which the authors rejected as unrealistic, at least within the foreseeable future. The report concluded with a deliberation on whether SAMAK should work to increase the number of issues upon which the Council of Ministers can make decisions with a qualified majority, but there was great danger in this as well. There was a risk that it would rebound, hurting them and their opportunities to “pursue and finance an independent distribution policy and establish the requisite national structures and labour market negotiation systems.”

The large area approach also entailed countless worries. Or to put it another way: The old hung around as the new arrived on the scene.

### *Concluding Remarks*

In 2001, Social Democratic parties were in a governing position in four out of five Nordic countries. Within the European Community, a full ten out of fifteen member states were governed by social democrats or coalition governments with Social Democratic elements. Tony Blair, Wim Kok, Göran Persson, and Gerhard Schröder could publish a joint opinion piece in the Washington Post titled “The New Left Takes on the World,” in which they drew the contours of an “emerging consensus on the right framework to build a global order based on equal worth and social fairness.”<sup>72</sup> The coveted “regulation that ensures that we can continue shaping a platform for national scope of action in relation to organising distinct welfare societies,” which SAMAK hoped for in its platform activities, did not seem all too far removed.

The situation is different today (May 2004). In Norway and Denmark, non-socialist minority governments are running policy with the support of neo-populist party formations. In both

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<sup>71</sup> SAMAK 2002, 24.

<sup>72</sup> Washington Post, September 6, 2000.

countries, the reversals of Social Democracy continued after the election. The situation is particularly alarming for the formerly powerful Norwegian Labour Party. According to recent polls, it is now only the fourth largest party in Norway. Things look somewhat brighter for the Social Democratic parties in Finland and Sweden. Even though the Social Democrats in Finland lost the Prime Minister post to the Centre Party in the most recent election (March 16, 2003), they still have eight ministerial posts in a multi-coloured majority government. And in Sweden the Social Democrats have recovered, at least electorally, after the difficult 1990s. Göran Persson is the Prime Minister of a Social Democratic minority government, sanctioned by the Left Party and the Green Party.

Looking out over Europe, the situation for the Social Democrats is even drearier: Austria, Portugal, Italy, France, and Holland. In country after country, Social Democratic parties have had to witness their own defeat. In the United Kingdom, Tony Blair's Labour Party is maintaining its grip over opinion, but much of the shimmer that once surrounded his third road has faded. The "large area" within which Nordic Social Democracy's approach to the Nordic model is taking shape constantly offers new surprises. In the future as well, it will be difficult to establish the "binding international co-operation" that many of their arguments rest upon as an absolute prerequisite.

As noted in the introduction, the Nordic model was established in contrast to a recent past and a triangular international context, of communism in the east, capitalism in the west and the developing countries in the south. It was through looking backwards at their own history and outwards toward a world fraught with conflict that Nordic Social Democrats could hold up their societies as a model for others to emulate and for themselves to safeguard. However, it should have emerged from the preceding account that this image has become increasingly difficult to sustain with the passing of years. The concept is certainly still a vital reality in SAMAK's platform activities, even though it has been adapted to a new context and filled with new content in recent decades. But with every report published, history becomes further removed and the surrounding world more present.

To return, by way of conclusion, to the question of what Nordic Social Democrats do when they "act social democratically", one can state that the conditions of the question, so to speak, have gradually dissolved. This applies not only to the scholarly picture of the Nordic model as a result of the strength and conditions of the labour movement. As shown, many reforms that researchers usually hold up as examples of ideological deviations are actually the result of Social Democrat's own efforts to manage the inner and outer challenges of the model. The

subject on which the question is based is also starting to loosen around the edges. In SAMAK's most recent report, not even the Social Democrats themselves are capable of talking about their relation to the welfare state in unmediated form. They are working to influence the European Community and the Nordic countries in the right direction.

There are many explanations to this phenomenon, of which some have been discussed in this section. An important piece of the puzzle which cannot be overlooked, however, is that the same Nordic model that was understood for years to be an expression of Social Democratic action has with time come to represent a subversive drawing board construction where attempts to translate it into concrete action are associated with great danger. This is due not only to the flight of capital and voters that lies in the extension of a destabilising policy. Equally important is that it would conflict with the pragmatic disposition of Social Democracy to do so. Again, social democrats seldom go to excess. Social Democracy can be many things, not to mention notoriously unfaithful to its historical ideals, but it never can be entirely unrealistic in relation to the proposition provided by its own descriptions of reality.

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