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## 7 The Small Corporatist Political Economies as European Socio-Economic Model?\*

*Uwe Becker and Kees van Kersbergen*

The political economies of the small, largely corporatist countries analysed in the contributions to this volume have not been immune to the pressures to liberalise that have sprung up notably since the early 1990s. And indeed, liberalisation has taken place to differing degrees. The contributions also show, however, that this process has remained limited. The countries still reveal a high degree of corporatism, and their welfare systems are still considerably more generous than those in countries such as the US in particular, which approximates the liberal type of capitalism. Their labour markets as well as product and company markets are still far removed from the liberal ideal. The exceptions are Switzerland – which generally combines a strong liberal stance with corporatism – and Denmark due to their relatively flexible labour markets, while in Belgium corporatism has suffered due to Flemish-Wallonian tensions. But these exceptions do not change the overall picture.

The small corporatist countries have performed as well as or even better than the strongly liberal ones. With the exception of Switzerland, they have all had high rates of GDP growth per capita as well as per hour; all of them except Belgium have medium to high employment rates; their inequality and poverty rates are relatively low; their concern for the environment is more serious than average (but still not serious enough); and half of them belong to the most innovative – and in that sense most competitive – countries in the world. Table 7.1 summarises these facts.<sup>1</sup> Moreover, measured in GDP per capita, these countries are richer than all the Anglo-Saxon countries except the US, and some of them roughly equal the US in GDP per hour. When it comes to specific aspects, other countries rank up there with the corporatist ‘smalls’ – the Anglo-Saxon economies except New Zealand with respect to economic growth; Germany, Japan and the US with respect to innovation and competitiveness;

and with respect to employment, the Anglo-Saxon countries and Japan. Nonetheless, the facts clearly demonstrate that top performances are possible without strong liberalisation. This is particularly true for the Nordic countries (except oil-rich Norway) which belong to the top performers in every respect.

**Table 7.1** Economic performances (GDP and productivity growth), 1992-2006; innovative capacity and social indicators (employment, welfare) in the mid-2000s, ordered by most approximated variety of capitalism

Approximately Liberal			Approximately Corporatist		
H	M	L	H	M	L
-	CAN, CH, UK, US	AUS, IRL, NZ	DK, FIN, SE	A, GER, NL, N	B
Approximately Statist			Approximately Meso-communitarian		
H	M	L	H	M	L
-	-	F, ESP; very low: I	-	J	-

Against this background, we want to ask the question whether the 'smalls' (or at least some of them) qualify as an example of a corporatist European social model (ESM). Since the EU summit in Lisbon in 2000, the ESM has become a hot topic in the ongoing political discussion over the future of work, welfare and competitiveness and whether or not European political economies and welfare systems should move in a liberal direction. The latter has been advised by among others the OECD to meet the challenges of increasing global competition. This has particularly been addressed to European countries that have recently had relatively low employment/high unemployment and low rates of GDP growth, like the bigger countries of France, Germany and Italy. Many European interest organisations and political parties do not want to make the liberal move, however, because of its costs in terms of poverty, material inequality and social insecurity. These groups have therefore launched the European Social Model as an alternative. With the severe financial and economic crisis since 2008, the ESM has gained in importance.

In this concluding chapter, we will briefly clarify the meaning of the concept of a European social model before proposing that it be replaced with the European socio-economic model (ESEM) in the sense of capitalist varieties as described in preceding chapters. Thereafter we will dis-

cuss whether and in what respects the small, largely corporatist political economies fulfil the role as example of the ESEM. Finally, we look for the conditions necessary for realising such a model. These are not new questions but we want to bring them together and ask them in the context of the analysis of recent socio-economic performances (most previous studies were published around the turn of the millennium). Moreover, we not only want to stress the importance of the competitiveness of a socio-economic model, we genuinely want to consider it. This aspect, generally the broader varieties of capitalism perspective and the decidedly comparative character of our argument are the *differentia specifica* of this contribution.

### The European social model and the European socio-economic model

Very early ideas of a sort of social model for Europe had already been formulated by Guy Mollet back in 1956 (Scharpf 2002: 646) – in a context still considerably determined by the post-Great Depression and post-war ideological climate of that time and before the current national welfare states had taken shape. The theme only returned to the agenda when, in the 1980s and 1990s, the process of European integration had reached the stage where the Single European Market (SEM) was to be realised. Against this background, Jacques Delors, the chairman of the European Commission, launched the idea of a European social model, the main feature of which would have to be its difference with the American model (Jespen & Serrano Pascual 2005: 234) – an aspect that has remained central to the concept ever since. The European Commission's 1994 *White Paper on Social Policy* was also important in this regard, as it defined the ESM as a set of common values including equal opportunities for all, social dialogue, social security and solidarity, in addition to the commitment to democracy and personal freedom.

In the Lisbon Treaty of 2000, then, the scope of the ESM was broadened by stressing research and education and by integrating innovation and competitiveness. European economies would have to be social as well as competitive and provide for sustained economic growth and employment in accordance with environmental objectives. This broader concept – which was, in fact, already a move in the direction of the ESEM – is also reflected in the relevant literature at that time (Esping-Andersen 1999; Ferrera et al. 2001; Black 2002; Scharpf 2002; Whitehead 2003). Also

worth mentioning is Anthony Giddens (2006) who, in line with the New Labour philosophy, pleaded for a reformed European social model where individual responsibility and flexibility also have an important place. In sum, what a European socio-economic model achieves, apart from democratic goals, is the combination of:

- high employment;
- generous but conditional benefits for those who have lost their jobs or are unable to work;
- limited material inequality (also between the sexes) and a reasonable equality of condition;
- competitiveness and sustained economic growth;
- protection of the natural environment.

The discussion on the ESM is sometimes somewhat elusive because it is not always clear whether the authors are arguing about empirical reality or a normative model. Empirically, *the* ESM does not exist. Compared with the Anglo-Saxon world, particularly the United States, the common features of continental European political economies might be their higher degree of reliance on the state and less emphasis on individual responsibility. For the rest, however, it is diversity that is colouring the picture.

Geographically, this empirical diversity is somewhat patterned. Roughly, one can distinguish five groups of countries with similar political economies:

- The UK and Ireland, which have already been considerably liberalised, particularly the former (see Tables 1.5a and 1.5b in the introduction to this volume), and approximate the liberal type as defined in the Introduction.
- The Scandinavian countries, with their large public sectors and relatively generous benefits, which approximate the social democratic sub-variety of the corporatist type.
- The ‘Rhineland’ group (bordering the Rhine including the entire Benelux) plus (also relatively corporatist) Germany and rather statist France. These countries, except Switzerland, combine medium-high employment with relatively generous welfare benefits.
- The Mediterranean countries, which approximate clientelist sub-varieties of statism, with lower but rising welfare benefits and, except in Portugal, a low employment rate.
- The Eastern Europe political economies, which are less consolidated and currently can be sub-divided into two groups: one, including the Czech Republic, Slovakia, Slovenia, Hungary and Poland, that is mov-

ing in the direction of the ‘Rhineland’ countries and another group (the Baltic states) that is taking the liberal world as their example.

Since the ESEM is not an empirical reality, it must be a normative entity – a model in the proper sense; something we highly value and that *ought to be realised* because it meets our goals. Here, the relevant goals are those formulated in the Lisbon Treaty and similar ones. Such a model might be constructed by mixing elements from several empirical political economies with newly invented ones, but it can also be established by attaching normative status to one of the empirically given political economies/welfare systems.

In this paper we do not want to go that far. We want to analyse the small countries’ political economies and their accomplishments and ask to what extent they can serve as examples of a normative model for Europe. We would hesitate to answer this question positively with respect to all of the small, largely corporatist, political economies. All of them have a good system of social security, and their corporatist arrangements enable them mutually to adjust economic and social goals, but they are too diverse and not all of them perform economically well. Some of them – Austria, Belgium, the Netherlands and particularly oil-producing Norway – are considerably less innovative than others. Belgium is a low-employment country, the Netherlands only has a high employment rate because of its very large number of often tiny part-time jobs (although in principle, part-time work is a viable way of allocating scarce jobs), Austria has an extremely low employment rate of persons older than 55 years, and Switzerland has been a low-growth country during the period since 1990 and is a special case because of its protection of regional Swiss markets (cf. Schulte 2004). Finally, Norway’s oil revenues give it special status and render it unsuitable for comparison or discussions of models.

What remains as a potential cohesive case for constructing the ESEM is Scandinavia (largely excluding Norway). Any perfect model case does not exist, but the Scandinavian political economies come closest to the goals mentioned above. Related to their still highly developed corporatism, they feature a form of stakeholder capitalism in which a comparatively remarkable level of co-determination is a sort of natural thing. In Denmark, Norway and Sweden it is most pronounced (as in Austria and Germany), and in Finland (as in the Netherlands) it is somewhat less developed (cf. Jackson 2005: 4). And more than any other region, Scandinavia combines competitiveness and social welfare with high employment for all demographic groups – in spite of the changes described in this volume – and

also undertakes more-than-average efforts to protect the environment (which is also true for Austria and Switzerland).

In the past, Scandinavian political economies have more than once been assigned the status of model. In the 1970s and 1980s, Sweden and Denmark enjoyed considerable attention as models of a third way between capitalism and socialism. Because of its 'flexicurity', Denmark has been *the* model country since the mid-1990s, Finland (which together with Sweden experienced a severe economic crisis in the early 1990s) joined the models' club in the late 1990s at the same time that Sweden made a strong comeback. And while other countries fell into a period of stagnation in the years up to 2006, Scandinavia showed robust growth, moved up into the leading group of innovative countries, maintained its welfare state, and found its way back to high employment – although Finland and Sweden never returned to their 1980s levels. In the global financial and economic crisis that started in 2008, the Scandinavian economies have been hit as hard as or even harder than other Western economies (on an annual basis, Swedish GDP declined by 6.5% in the first quarter of 2009 – press release of *Statistics Sweden* on May 29) but these developments were not homemade and at the time of writing (late 2009) it is too early to evaluate them in comparative perspective.

Liberals are right in stressing that welfare benefits or income taxation should neither undermine employment nor competitiveness and that benefits should not be unconditional. They assume a trade-off between generous welfare systems, employment protection and progressive redistributive taxation on the one hand and the employment rate and competitiveness on the other. However, the Scandinavian political economies (and to a lesser degree those of the other countries studied in this book) appear to demonstrate that this assumption is not generally true, and show that economic and social targets are conciliable. We will have to see to what extent this also holds for economic and environment objectives.

### Employment and social performance in international comparison

The high employment level is the most remarkable aspect of the Scandinavian political economies. With the exception of Finland, it is running at around 75% (see Table 7.2) of the working-age population (15 to 64 years of age). The only other countries to reach anything like this level are the Netherlands – although this is qualified by the very high number of part-time jobs – Switzerland and the Anglo-Saxon countries (Iceland, which is

Table 7.2 Employment rates (%)

	Employment rate, 15-64 year										SUR	LTU	
	General		Women		Women, PT		Employment rate			PS			
	1983	1990	1990	2007	2007	2007	1999	2007	2007				2005
Australia	62,5	67,9	57,0	72,9	66,1	38,5	56	64,2	56,7	-	-	4,4	15,5
Austria	62,9	65,5	-	71,4	66,4	31,5	64	55,5	38,6	12,9	12,9	4,4	26,8
Belgium	53,5	54,4	40,8	61,6	54,9	32,9	53	26,8	33,8	18,3	18,3	7,5	50,0
Canada	-	70,3	62,7	73,6	70,1	26,1	63	59,5	57,1	-	-	6,0	7,5
Denmark	71,8	75,4	70,6	77,3	73,3	23,9	70	67,4	58,7	30,4	30,4	3,8	18,2
Finland	73,2	74,1	71,5	70,5	68,5	15,5	-	46,4	55,0	25,6	25,6	6,9	23,0
France	62,0	59,9	50,3	64,4	59,8	23,1	56	31,2	37,9	23,0	23,0	8,3	#42,2
Germany	62,2	64,1	51,2	68,9	62,9	39,2	59	44,9	52,0	11,1	11,1	8,4	56,6
Ireland	54,0	52,1	36,6	69,0	60,3	35,6	56	48,8	54,1	12,0	12,0	4,6	30,3
Italy	55,0	52,6	36,2	58,7	46,6	29,9	-	24,7	33,8	16,0	16,0	6,1	49,9
Japan	-	-	-	70,7	59,9	32,6	61	41,4	66,1	8,7	8,7	3,9	32,0
Netherlands	52,0	61,8	47,5	74,1	68,1	60,0	58	65,4	50,1	11,0	11,0	3,2	41,7
New Zealand	61,6	67,3	58,5	75,4	69,0	34,7	60	58,7	72,0	-	-	3,6	5,7
Norway	73,9	73,0	67,2	76,9	74,0	31,6	-	55,1	69,0	-	-	2,6	8,5
Spain	-	51,1	31,6	66,6	55,5	20,9	-	42,9	44,6	15,0	15,0	8,3	27,6
Sweden	80,2	83,1+	81,0+	75,7	73,2	19,7	66	46,3	70,1	31,7	31,7	5,1	13,0
Switzerland	-	78,2	66,4	78,6	71,6	45,6	-	62,6	67,2	-	-	3,6	40,8
UK	67,0	72,5	62,8	72,3	66,3	38,6	61	55,9	57,4	18,8	18,8	5,3	24,7
US	68,0	72,2	64,0	71,8	65,9	17,9	67	53,1	61,8	15,7	15,7	4,6	10,0

Note: PT = part-time; PS = public sector; FTE = full-time equivalent; SUR = standardised unemployment rate; LTU = long-term unemployment rate (≥ 1 year)

+ = statistical break after 1990

# = 2006

Sources: OECD 2003: 175 and Statistical Annex; OECD 2006a: Statistical Annex; OECD 2008a: Statistical Annex

also Scandinavian but very small, has the highest level). France, Italy and Belgium stand in strong contrast (although the percentage for Flanders is considerably higher than that for Wallonia), while Austria and recently Germany have established themselves in the upper middle band, reaching Finnish levels. The picture is similar with respect to unemployment, and here too Finland performs slightly worse than the other Scandinavian countries. Finland is still dealing with its economic collapse at the beginning of the 1990s when not only house prices and demand collapsed, as in Sweden, but also the immensely important Soviet market was for the most part lost. GDP fell and unemployment rose rapidly to over 20%. Since around 1995, Finland has improved continuously on all fronts (cf. Kiander 2005).

If one goes more into detail, it turns out that Scandinavian long-term unemployment is also much lower than in most European countries. Austria is an exception here, but many potential long-term unemployed are probably hidden due to the very high rates of early retirement there. This suggests that employment rates are more important indicators than unemployment rates, because in cases of high employment hidden unemployment in the form of early retirement and disability is naturally lower, as is the number of those discouraged from seeking employment. Furthermore, it turns out that the employment of women and of persons between 55 and 64 is also very high in Scandinavia – the latter nearly 50% higher than in Belgium, the Netherlands and Germany and about twice as high as in Austria, France and Italy (countries which were called ‘pensioners states’ by Esping-Andersen [1990] for this reason). As a consequence, problems with pension financing and unemployment among older workers in the Scandinavian countries are less severe than in the rest of Europe. Also, apart from Norway, the female part-time employment rate is relatively low, above all in Finland, thereby qualifying that country’s somewhat lower employment rate. Given that the difference between women’s and men’s wages is smaller than the European average (cf. European Commission 2003), one may conclude that women have attained economic independence at least to some extent.

With respect to part-time work, the Netherlands and Switzerland are contrasting cases. Part-time jobs are often related to a lack of child care, and perhaps they might be part of an employer’s strategy to create flexibility without changing the law. In a less work-centred society – a classification particularly true for the Netherlands; in Switzerland the working week is considerably longer – it could also be the basis for a focus on

other objectives, provided that this society is able to stay productive and competitive. Perhaps less emphasis on work and GDP growth could be another feature of a future ESEM.

Alongside and in connection with high rates of female employment, the employment of almost one third of all working people in the public sector (in Finland one quarter) is the most characteristic feature of the Scandinavian political economies. Most women are employed in this sector, particularly in labour-intensive health care, social services and education (one occasionally hears the expression ‘state feminism’ in this connection). While in the US low-paid service jobs are at the basis of the high employment rate and while in the Netherlands it is part-time work, high employment rates in Scandinavia stem from the large number of public jobs.

The data in Table 7.3 show that the percentage of limited employment contracts (temporary work) in Scandinavia is not lower than the continental European average (leaving apart the extremely high Spanish percentage). One could however add that this has, together with the percentage of part-time work, gone down during the past decade in Denmark, Finland and Norway. This is also true for Switzerland. In most other West European countries, the percentage has risen – this was also the case in Sweden – while it has remained low in the Anglo-Saxon world (Canada is the exception). It seems that employers regard flexwork as less necessary when dismissal rules are flexible. By contrast, the low-wage sector is big in the Anglo-Saxon countries and small, even if it has slightly increased, in Scandinavia. One could add that a small low-wage sector is of course part of the ‘Nordic model’.

The employment-centred welfare state is supported by social benefits and a tax policy based on the principle of equality of condition. For ‘social citizenship’, this equality of condition is more important than the equality of opportunity as stressed by liberalism. The Scandinavian political economy and welfare philosophy imply the approval of the market – with the exception of Norway in the 1920s, revolutionary socialism has always been weak – but it is also critical of it. Corrections in accordance with the equality principle are considered essential (Esping-Andersen 1985). Social benefits are therefore high, income taxes progressive, and both together have a greater redistributive effect than the social systems of almost all other countries (cf. the first two columns in Table 7.3).

Denmark is the most egalitarian country in social terms, followed by Sweden and, trailing at some distance, Finland and Norway. Outside the

Table 7.3 Basic social data

	Temporary work (%)		Low-wage sector (%)		Gini coefficient	Decile ratio 9/5	Poverty rates* (%)	Replacement rates* 2004	Employment protection** (index)
	1994	2004	1994	2004					
Australia	-	-	13,5	13,6	0,309	1,90	12,4 / 1,0	45 / n	46
Austria	6,0	8,9	-	-	0,251	-	6,6 / 1,9	63 / 9	57
Belgium	5,1	8,7	13,3	12,5	0,268	-	8,8 / -0,3	61 / u	61
Canada	11,3	12,8	22,3	22,3	0,283	1,87	12,0 / 2,5	63 / n	48
Denmark	12,0	9,8	7,3	9,3	0,221	1,73	5,3 / 0,6	70/48	70
Finland	18,3	16,2	-	-	0,228	1,75	7,3 / 2,4	70/23	65
France	11,0	12,3	13,9	14,0	0,281	1,98	7,1 / -0,4	75/23	57
Germany	10,3	12,2	11,6	15,8	0,278	1,73	11,0 / 2,5	69/12	66
Ireland	9,5	3,5	23,5	13,7	0,349	2,05	14,8 / 4,4	49/15	64
Italy	7,3	11,9	8,1	7,5	0,348	-	11,4 / -2,8	54 / 6	22
Netherlands	10,9	14,6	11,0	16,6	0,282	1,76	7,7 / 0,6	74/24	66
New Zealand	-	-	14,5	14,7	0,335	1,79	10,8 / 2,4	56 / n	54
Norway	12,9	9,9	-	-	0,256	1,47	6,8 / -0,3	68/36	56
Spain	33,7	30,4	17,7	15,2	0,319	2,14	14,1 / 1,9	67/21	49
Sweden	14,6	15,1	5,7	6,4	0,211	1,67	5,3 / 1,7	75/28	63
Switzerland	12,9	12,3	-	-	0,276	1,81	8,7 / 1,2	77/24	69
UK	6,5	5,7	19,5	23,4	0,354	1,98	8,3 / -1,5	54 / 6	53
US	-	4,0	25,1	23,3	0,361	2,30	17,1 / 0,4	54 / 6	36

# = 60% of median income. The figure after the dash gives the change in percentage points since the mid-1990s.

\* Average of different household types/income groups. The first column gives the replacement rate at the start of unemployment, and the duration of the payment of benefits (n = no specific rules; u = unlimited); the second column gives the percentage of last-earned income to be received as unemployment/social benefits after 60 months of unemployment.

\*\* The higher the value (maximum 6), the stricter the protection.

Sources: Förster & Mira d'Ercole 2005; OECD 2006a (wage replacement); OECD 2004b (level of employment protection); Begg et al. 2007: 100 (deciles); OECD 2008c: 53 (Gini), 127 (poverty)

Nordic region, Austria and the Netherlands are at a level comparable to that of the latter two Nordic countries. The situation concerning poverty is similar, although in the Netherlands as well as in Belgium and Switzerland the rates are higher. Poverty in Denmark, Finland and Sweden has, however, followed the international trend and, accompanied by modest cuts in social benefits (Korpi & Palme 2003), has increased since the mid-1990s. Importantly, however, child poverty has constantly remained low, a feature that according to Esping-Andersen (2007: 643f) is causally related to female employment.

Table 7.3 lists the wage replacement rates of social benefits. These are no longer significantly higher than in some other countries in Europe, although the Danish top rate of 90% for lower incomes is achieved nowhere else. However, it is the whole package of social benefits and services that is important. This includes the extensive public childcare facilities such as day-care centres, after-school day-care and other possibilities to remain in school after hours, available to almost half of all children. In a broader sense, the school and training system also belongs to social services. The international PISA studies, comparatively testing intellectual capacities of fifteen year old pupils, regularly report on the high quality of these systems. Finally, employment protection belongs to social services, since it indicates the extent to which labour has become a commodity. With the exception of Denmark and, with qualifications, Finland, the figures for Nordic countries (the data in the table are compiled from several components) are not much different from the continental European average, which is described by liberal critics as both rigid and an obstacle to growth and employment.

Danish 'flexicurity', more extensively described in Mailand's contribution to this volume, deserves special attention again. It is a system that combines relaxed employment protection, high wage replacement rates in the case of unemployment, and the obligation of the unemployed to participate in retraining. In 2004 the Danish prime minister proudly announced that 'by international standards, we have a very flexible labour market. It is actually highly praised abroad and the envy of many other countries (...). It is, however, only possible because we have a high level of social security' (Bredgaard et al. 2005: 21). Indeed, in a broad international comparison of the connection between labour market structure, social security and employment, Denmark came out as the 'best case' (Bradley & Stephens 2007: 1505).

The basic form of this system has existed since 1994 and has been modified several times. A further element of this system comprises special leave



of up to one year for educational or parental purposes (up to 1999 there was also a sabbatical year in the strict sense of the term), with job retention and payment of (currently no more than) 60% of the wage replacement given in the case of unemployment. Eligibility requirements are a minimum age of 25 years and several years of employment experience. In the international discussion on flexicurity, leave schemes are barely mentioned – perhaps because in contrast to the looser employment protection it is costly and does not fit in the dominant paradigm. However, it is a central element because many unemployed take up jobs left temporarily vacant by those on special leave (on this set of issues as a whole, see Compston & Madsen 2001; Abrahamson 2006).

The last relatively positive performance – with the emphasis on relative – of the Nordic countries to be mentioned regards the environment. Possible indicators we can use are the ‘ecological footprint’ (GFN 2006), which is a measure of human demand on the Earth’s ecosystems (expressed in hectares per capita), and the Environmental Performance Index (EPI 2008) which includes indicators such as biodiversity and the use of forests. The EPI favours countries with a low population density. Thus the densely populated, geographically monotonous Netherlands, while boasting a small ecological footprint, is a laggard in terms of its EPI score (ranked number 55 with a score of 78.4, while much bigger polluters such as the US and Australia are ranked 39 and 41 respectively with scores of 81.0 and 79.8; Switzerland, ahead of Norway, Sweden, Finland and Austria, is ranked #1 with a score of 95.5). Alternative indicators are data on emissions of pollutants such as CO<sub>2</sub>, sulphur and nitrogen oxides (cf. Becker 2009: 165). They do not take into account, however, what a country is specialised in in the international division of labour. Because of its specialisation in minerals, sparsely populated Australia is polluter number one, but its ecological footprint and its value in the EPI makes it comparable to the Nordic countries. Table 7.4 (ibid: 131) which summarises pollution data therefore has to be taken with a grain of salt. Nonetheless, it is not

**Table 7.4 Summarised ranking of polluters**

Very High	AUS, CAN, US
High	NZ, ESP
Medium	B, FIN, GER, IRE, I, NL
Relatively Low	A, DK, F, J, N, SE, UK
Lowest	CH

far-fetched to say that Switzerland and the Nordic countries (with Finland as slight exception) are environmentally speaking the cleanest in the economically developed world. Britain, France and Japan also belong to the group of relatively low polluters (leaving aside nuclear energy). The biggest polluters are the strongly liberal countries (except Britain).

### Criticisms

One of the most criticised aspects of the Nordic political economies is their high public sector employment and the costs related to this. High public spending and taxes are generally a thorn in the side of liberals, but high public sector employment in Scandinavia is perceived as a particularly egregious example of inefficiency. According to recent ECB data, the Swedish public sector was half as efficient as that of the US, and the Danish public sector is not much better (*The Economist*, 9 September 2006: 27). Even if this is the case, one might ask whether public sector employment could be justified for the sake of employment – at least as long as the market sector remains in a position to pay for it. After all, unemployment is not cost-free, and public employment of the Scandinavian sort also guarantees poorly qualified workers an honest income. Efficiency is a necessary economic criterion, but not the only one. And the ideological dominance of social democracy – even if social democrats currently are not in power – means that considerable weight is given to social criteria.

A further point of criticism is the high level of sick leave in Scandinavia, particularly in Sweden, which is also said to illustrate inefficiency and to distort employment levels. In fact, Sweden loses 26 days due to sick leave per year and employee, Norway 21, and Finland 15. Not far behind these frontrunners are Belgium and France with 16 days, the Netherlands with 14 and the UK with 13 days, while Denmark, with an average of ‘only’ 10 days, is at the same level as Austria. Sick leave is even lower in the US (9 days), Germany (8), Switzerland (7), Italy (7) and Ireland (6) (Rae 2005a: 5). Looking for reasons for the high sick leave in notably Sweden, the cause must probably be sought in lax regulation. ‘Getting sickness benefit appears to be much easier in Sweden than in other countries’, writes Rae (2005a: 13). And perhaps a culture has grown in which sick leave is considered ‘normal’. It does not appear to have much connection with the health of the Swedish people because, with an average of only three visits to the doctor a year (Rae 2005b: 13), they are among the most healthy in the world.



Above-average sick leave points to hidden unemployment and an inflated employment rate. For example, the Swedish total of registered unemployment and sick leave of a week or more is as high as the corresponding total in Germany, a much larger country in terms of population (Hesselius 2006: 28). Some form of hidden unemployment exists in virtually all countries, however. Often, early retirement takes large segments of people out of unemployment. Sometimes (as in the Netherlands and Italy) a disability scheme is doing this job, while in Sweden (where the number of persons unable to work due to disability has recently even been growing; cf. Hesselius 2006: 10f) and in Norway it is the high level of sick leave (and to a somewhat lesser degree also in Belgium, France, the Netherlands and the UK). Regarding Denmark, one might point to the above-mentioned special leaves of up to one year as a kind of hidden unemployment (purely in quantitative relation to employment and unemployment; apart from the fact that these leaves can be classified as socially desirable), while in the US it is the high number of persons incarcerated – 762 persons per 100,000 inhabitants, which is 1.4% of the labour force (Schmitt 2007: 3) and eight to twelve times higher than in Japan and the continental European countries (ICPS 2008). So, alongside the special case of Switzerland, only Finland remains as a country with a relatively high employment rate in which there is no category of hidden unemployment worth mentioning. Finnish employment, however, is somewhat lower than in the other Nordic countries, and overt unemployment is higher.

A final criticism concerns Sweden's overall economic performance. Thanks to its oil reserves, Norway is very rich, while Denmark belongs to the countries with the highest per capita income in the world. In the meantime, the former model country Sweden has been overtaken not only by some German *Länder* but also, if only slightly, by the UK, Ireland, Belgium, Austria and the Netherlands (*The Economist*, 9 September 2006: 26). And Finland, which never belonged to the richest countries, has almost caught up with Sweden. The criticism is justified, but the long process of Sweden's alignment to the average up to the beginning of the 1990s is less a sign of that country's decline and more a sign of the other countries catching up. The following years indeed illustrate a period of crisis – in 1992 alone, 600,000 jobs were lost (Plougmann & Madsen 2002: 6). Since about 1995, Sweden has, however, like Denmark and Finland, experienced an upswing that was only broken when a global crisis emerged in 2008. And in terms of competitiveness, it became stronger.

### Competitive – even if with a little luck!

The Nordics are doing almost everything that, according to neo-classical textbooks, will lead inevitably to poor growth and reduced competitiveness: taxes are high, social services generous, the public sector is large and to some extent inefficient, wage dispersion is relatively flat, and employment protection is – apart from the special case of Danish flexicurity – by no means weak. Moreover, wage development is almost classically Keynesian, running parallel with that of productivity (on this point the situation in liberal countries such as the UK and the US is similar). The sole exception was Finland in the second half of the 1990s. Growth, competitiveness and employment have not suffered due to these 'sins.' All four countries are of course competitive in their own ways, although Norway, which is largely excluded here from our comparative analysis, is not competitive at all, apart from its oil and some other, smaller branches. This holds at least when competitiveness in technologically advanced markets – where the developed economies of the West and East Asia largely have to operate in – is understood as a country's capacity to: a) host and facilitate a relatively large number of innovative companies and primarily to export goods and services because of their quality and productivity in the sense of the product/price relation,<sup>2</sup> and b) acquire comparative advantages by specialising in the international division of labour.

Obviously, a country can maintain its competitiveness without excessive wage restraint of the Austrian or German (and, in earlier years, Dutch) variety. Decisive for competitiveness, alongside the very important factors of quality and specialisation, are unit wage costs as well as productivity development based on innovation. Disadvantages on the part of Denmark, Finland and Sweden are not apparent here – the two latter countries have even achieved particularly strong productivity gains. In addition, demand – both foreign and domestic – is important for economic growth and, as a consequence, for employment.

If one looks closely at Table 7.5, it turns out that there appear to be several ways to competitiveness and growth: via increased productivity per hour (UK, Sweden and the US 1995-2006), via wage restraint (Belgium and the Netherlands 1995-2000; Spain 1997-2006; Austria 2002-2006), and a combination of the two factors (Finland and Austria 1995-2001; Ireland 1995-2006; Japan 2002-2006). There are, of course, cases in which neither wage restraint (Germany and Italy 2002-2006), nor a combination of wage restraint and a strong increase in productivity (Japan 1995-2000) meet with success. The simple cause of this phenomenon could be that

Table 7.5 Basic economic data (percentages of average annual changes)

	GDP (per capita)				Productivity (GDP per hour)				Real wages				Unit labour costs				Private consumption			
	92-96	97-01	02-06	90-95	95-00	00-06	97-01	02-06	97-01	02-06	97-01	02-06	97-01	02-06	97-01	02-06	97-01	02-06		
Australia	-	-	1,8*	2,0	2,5	1,5	1,9 <sup>#</sup>	1,7 <sup>#</sup>	-	-	-	-	-	-	-	-	-	-		
Austria	1,4	2,4	1,3	-	2,1	1,0	0,5	0,5	-0,7	-0,9	-	-	-	-	1,7	-	1,7	1,4		
Belgium	1,2	2,4	1,5	2,4	1,9	0,9	1,0	0,3	0,0	-0,9	-	-	-	2,3	1,3	-	-	-		
Canada	-	-	1,7*	1,4	2,3	1,0	2,0 <sup>#</sup>	2,5 <sup>#</sup>	-	-	-	-	-	-	-	-	-	-		
Denmark	2,2	2,1	1,6	2,7	1,1	1,0	1,7	1,9	0,3	-0,4	-	-	-	1,0	3,2	-	-	-		
Finland	0,8	4,3	2,7	2,9	2,7	2,2	0,8	2,0	-1,3	0,3	-	-	-	3,2	3,5	-	-	-		
France	0,8	2,4	1,0	1,9	2,1	1,4	1,2	1,4	-0,3	-0,1	-	-	-	2,8	2,2	-	-	-		
Germany	0,9	1,9	0,9	2,9	2,0	1,4	1,3	0,2	-0,1	-1,0	-	-	-	1,9	0,1	-	-	-		
Ireland	5,6	7,7	3,4	3,7	5,4	2,8	0,9	2,7	-2,7	-0,3	-	-	-	6,3	4,8	-	-	-		
Italy	1,1	2,1	0,2	2,1	0,9	0,2	-0,3	0,6	-2,5	0,5	-	-	-	2,4	0,8	-	-	-		
Japan	1,1	0,2	1,7	2,3	2,1	2,1	0,3	0,0	-0,4	-1,5	-	-	-	0,6	1,3	-	-	-		
Netherlands	1,9	3,1	1,1	2,5	1,7	0,7	1,2	1,2	-0,4	-0,4	-	-	-	3,9	0,3	-	-	-		
New Zealand	-	-	1,8*	0,9	1,4	0,9	-	-	-	-	-	-	-	-	-	-	-	-		
Norway	-	-	1,8*	3,3	2,3	2,2	1,9 <sup>#</sup>	3,3 <sup>#</sup>	-	-	-	-	-	-	-	-	-	-		
Spain	1,3	3,7	1,7	1,9	0,2	0,9	-0,3	-0,1	-0,7	-1,5	-	-	-	4,3	3,6	-	-	-		
Sweden	0,7	3,1	2,7	2,0	2,4	2,9	2,6	1,8	0,7	-1,2	-	-	-	3,0	2,5	-	-	-		
Switzerland	-	-	0,9*	-	1,6	1,1	1,0 <sup>#</sup>	1,2 <sup>#</sup>	-	-	-	-	-	-	-	-	-	-		
UK	2,2	2,8	2,1	2,8	2,3	2,0	3,0	2,3	0,9	-0,1	-	-	-	3,9	2,7	-	-	-		
US	2,0	2,4	1,8	1,1	2,2	2,1	2,4	1,6	0,6	-0,8	-	-	-	4,2	3,1	-	-	-		

\* 2001-2006

# 1995-2000 and 2000-2006

Sources: European Commission 2008: 139ff; OECD 2007a, 2008a: 359, 2008b: 14

additional factors, e.g. the costs of German reunification, have played a role and that in relation to growth, all ways have advantages and disadvantages which balance out in the final analysis.

The sole unambiguous (though by economic theory underrated) factor has been private consumption. When it is high, growth is also high. Some qualifications in relation to Denmark in the 1997-2001 period are needed, but French, Dutch, Austrian, Swedish, US, UK, Finnish, Irish and Spanish data verify this causal nexus. In all these cases – except for the UK, the US and Sweden – the increase in consumption is clearly higher than wage growth. Conversely, where private consumption increases only modestly, as in Germany and the Netherlands, economic growth is very low. Since wages and consumption are often disconnected, in the light of the above-mentioned thesis that several ways lead to economic growth, this is not necessarily a call for a Keynesian wage policy, but rather for paying attention to demand as an independent factor in macroeconomic processes.

The decoupling of wages and consumption since the mid-1990s means that consumers have been breaking into their savings or have increasingly been getting into debt. The latter has happened above all in those countries in which house prices have risen strongly since the mid-1990s – in the Anglo-Saxon countries, Scandinavia, and the Netherlands; at the end of the decade also in France, Italy and above all Spain (see OECD 2006c: 18) – and that offer the opportunity of tax relief on mortgage interest payments. This is the case in the US, the Netherlands (up to 100% tax relief) and to a lesser extent in the other Anglo-Saxon countries, Spain and Scandinavia. In this group, the sharp rises in house prices have not only resulted in a so-called wealth effect but also in the option of engaging in consumption with mortgage loans subject to tax benefits. This was taken up particularly in the Netherlands (see Becker 2005: 1092ff) as well as in the UK, Spain and the US, but also Denmark and Sweden.

House price trends and related demand bubbles have of course not been the result of wise policies. They have simply been favourable circumstances in which the Scandinavian countries shared – at least until 2008 when the bubble started to burst. It was also fortunate that Denmark found North Sea oil in the early 1990s, which accounted for a full percentage point added to GDP growth (Andersen 1997: 46). The image of quality attached to Scandinavian, particularly Danish products ('Danish design'), is a further element of fortune, even if it was hard work in the past that achieved it. As in the case of Swiss products, this reputation makes high premium prices possible (one might mention such products as Carlsberg beer, Bang & Olufsen or Lego) and positions the producers to some extent

outside international competition. Finally, one can ask whether the rise of Nokia from an unknown TV and tire producer to global number one in mobile telephony is the product of the coincidence of a number of lucky circumstances.

This does not mean that politics has not been uninfluential. We have already mentioned the Danish reform programme of 1994, which introduced flexicurity with its three elements. Whether this promoted economic dynamism or not remains an open question, but it cannot be denied that it had some effect on employment (cf. Green-Pedersen & Lindbom 2005). And the fact that wages in the Scandinavian economies (apart from Finland 1996-2000) have risen more strongly than in the rest of the European continent is due not only to the higher level of unionisation but also to lessons learned in the crisis at the beginning of the 1990s, above all in Sweden and Denmark.

In these countries, too, particularly under pressure from the Maastricht criteria, most economists made the turn to neo-liberalism and monetarism, but Keynesian approaches receded later than in other countries, and never to the same extent (for Sweden, see Blyth 2002: ch. 7). Therefore, this had some influence on the analysis of this crisis, which was interpreted not only as a financial and debt crisis but also as a crisis based on inadequate private demand (Lindvall 2004: 118ff). The 1990 bursting of the house-price bubble and mortgage-induced demand in Sweden (and Finland and, to some extent, Denmark) had in any case demonstrated that demand should not be neglected. In Denmark, this led to an easing of interest rates in 1993, and in Sweden to debates on how demand could be stimulated and indirectly to the legitimization of union demands for considerably higher wage increases – though employers opposed this.

The latter was one of the reasons for continuing the break in the Swedish social partnership at the central level that had been triggered in 1988 by the trade union/social democratic plan to establish workers' funds. This break led to a form of social partnership fraught with strike action. In this respect, Scandinavian corporatism is far less friendly than that of the German-speaking countries or the Benelux states (cf. Aarvaag Stokke & Thörnqvist 2001: 249). It represents an interplay between open conflict and talking to one another, a constellation that could be called the consensualism of two strong partners.

Where the social partners do talk to one another, the topic of competitiveness is at the top of the agenda, above all in Finland (see Kettunen 2004) and Sweden (see Elvander 2002). The times in which competitiveness could be restored by means of devaluations of the national currency

are over, due to the opening up of markets and accession to the EU. It is also clear that the expensive welfare state can be borne only by a highly productive private sector. These insights were translated into action and, as a consequence, the two countries find themselves highly ranked in the innovation league. R&D expenditure – at more than 4% in Sweden and 3.5% in Finland – is about double that of the EU average and considerably higher than that of the US (see Table 7.6). Denmark, which is rather reliant on small businesses, has less specifically designated R&D expenditures and has to rely more on informal innovation in the course of the work process. An important aspect of this is the importance attached to regular re-schooling/training on the basis of a high general level of education. In comparative perspective, Denmark – and to a lesser degree also Finland and Sweden – has a considerable edge in this respect (Gallie 2007: 92).

Denmark, not ranking at the top of the Innovation Index in the narrow sense, has recently been in the top five (third in 2007) of the World Economic Forum's Global Competitiveness Index, together with the US, Switzerland, Finland and Sweden. In the Innovation Index and in terms of patents – more specifically, Triadic Patent Families (TPFs), i.e. patents registered at all of the three main patent offices: those of the EU, Japan and the US – it does not belong to the top, but Finland and Sweden do, although Finland performs less in the patent field. In what is arguably the most comprehensive index – the European Innovation Scoreboard (EIS) – Denmark, Sweden and Finland belong once again among the top, together with Germany, Japan, South Korea (not mentioned in Table 7.6), Switzerland, the UK and the US – with Sweden ranking number one. In the EIS, five dimensions are used to determine innovative capacity: 1) the structural conditions for innovation, 2) R&D investment, 3) efforts towards innovation at the firm level, 4) value added in innovative sectors, and 5) results in terms of successful know-how.

One ought not to exaggerate the importance of these indices. Sometimes, as in the case of the World Economic Forum rankings, they are partially based on interviews and have a subjective dimension with often neo-liberal undertones. For another part they consist of input data such as the expenditures for education and R&D. Input does not necessarily say much about output, however. Nonetheless, the high rankings do demonstrate the attempts above all by Finland and Sweden to attain productivity growth by means of innovation. Real development in terms of productivity and unit wage costs (relevant data were presented in Table 7.5) attests to these efforts.

Table 7.6 Indicators of innovative capacity and competitiveness

	Spending on educational institutions as % of GDP, 2005	R&D spending as % of GDP, 2005	Employment in M&HT (%), 2003	Summary Index of the EIS, 2004, 2005 or 2006 (score and rank)	TPF per 1 mn in-habitants in 2005	GCI 2007 (score and rank)	BCI 2007 (rank)	Innovation Index 2007 (score and rank)
Australia	5,77	1,76*	-	0,36 (20)	20,2	5,17 (19)	18	4,41 (22)
Austria	5,49	2,42	5,2	0,48 (14)	36,5	5,23 (15)	8	4,76 (15)
Belgium	6,13	1,82	5,2	0,47 (16)	31,8	5,10 (20)	15	4,74 (16)
Canada	5,93	1,98	3,9	0,44 (18)	25,4	5,34 (13)	14	5,08 (12)
Denmark	7,01	2,45	5,6	0,61 (5)	40,5	5,55 (3)	5	5,11 (11)
Finland	6,13	3,48	7,0	0,64 (3)	50,3	5,49 (6)	3	5,67 (3)
France	6,31	2,13	5,4*	0,47 (16)	39,3	5,18 (18)	17	4,69 (17)
Germany	5,28	2,46	9,8*	0,59 (7)	76,0	5,51 (5)	2	5,46 (7)
Ireland	4,44	1,26	7,0*	0,49 (13)	14,2	5,03 (22)	24	4,54 (19)
Italy	5,05	1,10	6,5	0,33 (24)	12,2	4,36 (46)	42	3,45 (47)
Japan	4,77	3,33	7,3	0,60 (6)	119,3	5,43 (8)	10	5,64 (4)
Netherlands	4,99	1,78	4,0	0,48 (14)	72,6	5,40 (10)	7	4,88 (13)
New Zealand	6,84	1,15	-	-	15,7	4,98 (24)	22	4,09 (25)
Norway	6,56	1,52	-	0,36 (20)	24,1	5,20 (16)	13	4,60 (18)
Spain	4,71	1,12	5,0*	0,31 (26)	4,6	4,66 (29)	27	3,58 (39)
Sweden	6,74	3,89	7,2	0,73 (1)	72,3	5,54 (4)	4	5,53 (6)
Switzerland	6,54	2,93*	-	0,67 (2)	106,7	5,62 (2)	6	5,74 (2)
UK	6,09	1,78	4,8	0,57 (8)	26,4	5,41 (9)	11	4,79 (14)
US	7,46	2,62	3,8	0,55 (9)	55,2	5,67 (1)	1	5,77 (1)

\* One year earlier

Sources: OECD 2007b: 50f and 38f for columns 1 and 2; Begg, Draxler and Mortensen 2007: 111 for column 3, *Employment in Medium and High Tech Manufacturing* (% of total employment); Pro Inno Europe 2007, Figure 1 for column 4 (*Summary Innovation Index* – scale 0-1 – of the European Innovation Scoreboard); OECD Science, Technology and Industry Scoreboard 2007/OECD database for column 5, *TPF (Triadic Patent Families)*; WEF 2007/2008 for columns 6-8: BCI (*Business Competitiveness Index*) 2007, GCI (*Global Competitiveness Index*) 2007 and *Innovation Index* 2007; all scaled 1-7.

Nokia's spectacular rise is an example of this and can be understood as something for which the way was paved both politically and by corporatism. Traditionally, Finland's economy has been highly dependent on the timber industry, and while this sector is still the strongest ICT is closing in on it. The ICT sector largely consists of Nokia, which only employs 1% of Finnish workers but accounted for 3% of Finnish GDP, contributed 20% to exports and carried out 35% of the country's R&D in 2002. These percentages do not include the performance of domestic suppliers (Moen & Lilja 2005: 359f; Etlä 2003) and illustrate how much Finland depends on one company. In Sweden, the diffusion of economic strengths is much greater.

Nokia benefited from the European Commission's choice of GSM as the standard for mobile telephones. Even more importantly, according to Moen and Lilja (2005), the state as well as capital and labour in the 1990s have pointedly banked on innovation. The establishment of the corporatist Science & Technology Policy Council (STPC) in 1987 is a crucial date in this context, even if the concerted move towards high tech and innovation only took place under the pressure of the economic crisis in the early 1990s. Important activities started by the STPC have been the creation of an IT infrastructure, changes made to the education system, and the opening up of possibilities for international venture capital to invest in Finland. In the context of the general stock market euphoria in the second half of the 1990s, particularly regarding high-tech shares, the country became very attractive for foreign capital.

### Conclusion and prospects for a European socio-economic model

With regard to competitiveness and employment, the West is currently confronting major challenges in the form of the rise of new economic powers such as China, India and Brazil, productivity increases exceeding GDP growth, and the relocation of simple work to low-wage countries. The neoliberal solution is to solve these problems by Americanisation – i.e. labour market flexibilisation, the extension of the low-wage sector, and related cuts in the social safety net. Alternatives include the Dutch part-time model and above all the Scandinavian or Nordic formula of high public employment. An important lesson from the Danish, Finnish and Swedish experiences is that the combination of extensive public sector employment, a generous welfare state, workers' rights, high employment protection, and wage increases tied to productivity is affordable when it

is tied to a highly competitive market sector. With qualifications, one can say that, to a greater or lesser degree, Denmark, Finland and Sweden have managed to combine high employment, generous but conditional welfare benefits, limited material class and gender inequality, a reasonable equality of conditions, competitiveness, sustained economic growth, and the protection of the natural environment. In other words, if there is such a thing as an empirical basis for a normative European Social Model meeting the Lisbon criteria, for example, then its main characteristics can be observed in the Nordic countries.

Institutionally, Scandinavian capitalism is embedded in a social-democratic variety of corporatism – but this should not be misunderstood as an arrangement of milk and honey. The Swedish tension between labour and capital and the high level of Danish strike activity illustrate this. Nonetheless, society is involved at the macro-level of corporatism by the organisations representing capital and labour, and at the micro-level, employees are, with national variations, involved via co-determination, which provides this corporatism with a democratic flavour. This democratic component and its conditional character for the Nordic socio-economic performances make modern, pragmatic corporatism a good choice for a European socio-economic model, and its social democratic variety stressing equality of condition an even better choice.

Is there, however, any chance to bring strongly liberal or statist political economies onto the path towards corporatism, let alone social democratic corporatism? The installation of a formal-institutional framework would not be sufficient. In rudimentary form, France has such institutions (notably the *conseil du travail*), and Britain has tried them under Labour in the 1970s, but this did not make them countries approximating the corporatist type. Effective, as opposed to only formal-institutional, corporatism requires a high level of social trust, a discursive pattern of conflict resolution, the *norm* of finding compromises and a commitment to the common interest on the part of its players.

In countries such as Denmark and Sweden (Norway, the Netherlands and Switzerland could also be mentioned) – with the absence of deep, long-lasting cleavages in their history and with their evolutionary processes of democratisation – effective corporatism could develop over centuries. However, Finland as well as Austria, with their repressive and revolutionary past, show that, under certain conditions, effective corporatism can develop within a few decades (cf. Smallcons 2003: ch. 6 and 7). To some degree, its emergence in these countries was also the result of institutional learning – learning from relevant neighbours by the politi-

cal administration that subsequently pushed the country in a corporatist direction, with capital and labour accepting and then embracing this turn. The Finnish and Austrian cases could be important examples for political economies where a majority of the population and a large part of the relevant political players feel unsatisfied with the current situation and would like to change the institutional structure. With a slight affinity with consensualism as a starting point, such change is perhaps possible – even if at this moment it is difficult to imagine that countries with a rather confrontationalist political culture, such as that of France, or with a culture of individual competition tending towards anti-statism, like that of the UK, would move this way.

Another condition of effective corporatism is a certain balance of power between capital and labour. When one part is structurally weaker than the other, the existence of corporatism is in danger. This balance is difficult to accomplish, but with strong unions critically accepting capitalism, the Nordic countries have demonstrated its feasibility. In recent decades, this balance has been under pressure. The abolition of international trade barriers, the creation of the Single European Market and Europeanisation (see chapters 1 and 6), the emergence of the internet and the hardening of global competition have forced capital to become more mobile and at the same time rendered mobility possible (though it is far from unlimited). Capital mobility and perhaps even more the bare threat of investing abroad has recently tended to be a stronger power resource than the organisational strength of trade unions in many countries. To this redistribution of power resources one has to add that, because of social-structural individualisation and the attractiveness of neo-liberalism for some strata of wage-earners, unions have also weakened from within. A partial remedy against this changing power relations could perhaps be the enhancement of the ‘fitness’ of the labour force in terms of general and specific qualification. Capital depends on this ‘fitness’.

The current global economic crisis, the consequences of which will probably last for some years, might be a moment of change, however. For the time being, capital has become more dependent on the state than vice versa, the failure of exaggerated liberalisation might trigger some ideological change, and unions outside the Nordic region (where they have barely declined in numbers) might regain some of the strength of earlier years. Long-term processes such as social-structural individualisation will not stop, however, and the same is true for capital mobility (unless countries become more protectionist). Factors favourable for neo-liberalism will therefore remain effective. So it is difficult to render the institutional mix

of European capitalism *more* corporatist, but for a number of political economies (think of Germany, Ireland, perhaps Italy) it does not seem impossible in the years to come. Some authors (e.g. Zeitlin 2005) think that the European Union can play an important role in this respect, notably via the Open Method of Coordination (OMC) where possible options for socio-economic improvement are discussed at the central level and sent for consideration to the member states. Sovereignty in socio-economic affairs rests, however, at the national level and the soft decision-making process of the OMC has, as has been pointed out by other authors (e.g. Scharpf 2002; Schäfer 2004), only limited effectiveness. So, in the end, as Vivien Schmidt has indicated in the previous chapter, it is up to the member states whether or not to implement the recommendations of the European Commission.

What about the chances of realising the decidedly social democratic sub-variety of corporatism? Will populations outside Scandinavia pay the bill not only for social security but also for a high degree of material equality as well as extensive public employment? In recent years, in Denmark, Finland, Sweden and Norway these features have largely become decoupled from social democratic dominance in parliament, implying that maintaining 'social democratic corporatism' does not require a social democratic government. Independent from party-political commitments, it requires people who are willing to pay for this way, a stance one could call social individualism. Social individualism means that people are aware that they are social beings on the basis of which they would not only support the principles of individual responsibility and meritocracy, but also those of solidarity and collective responsibility for work and welfare. Is this feasible? Survey data (see the introduction to this volume) are mixed and do not allow us to offer a clear conclusion, but this might change if the overall ideological climate changes.

Whether this is going to happen is another question. In the first year of the Obama administration, there were indications of some movement away from strong neo-liberal individualism even in the US, but the distance in empirical terms between the US and social Northwest Europe is still enormous. In his second year Obama adapted to stronger conservative forces, however. And Europeans have recently given their vote to liberal and conservative (and even outspoken rightwing) parties – for example in the 2009 elections for the European Parliament. This can hardly be interpreted as support for social democratic ideas to restructure political economies. For its supporters, changing the ideological climate and the normative reference frame of macroeconomic action must be an impor-

tant task in itself. In a context where (further) 'corporatisation' and 'social democratisation' are no real options, the discussion on the European socio-economic model Nordic style should perhaps first of all be seen as a contribution to this endeavour.

## Notes

- \* For critical suggestions we would like to thank Brian Burgoon and Barbara Vis.
- 1 This table is taken from Becker 2009: 130 and based on chapter 6 of that book.
- 2 Regularly, productivity is simply measured as pecuniary output per hour and does not necessarily reflect efficiency. When the oil price increases, but the number of hours Norwegians work and the quantity of exported oil remain constant, then Norwegian productivity rises. As a rule, however, western countries will have to increase their productivity by improving efficiency. A remedy against this could perhaps be the enhancement of the 'fitness' of the labour force in terms of the general and specific qualifications capital depends on.