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The Nordic Model: Conditions, Origins, Outcomes, Lessons¹

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“It is widely thought that the Nordic countries have found some magic way of combining high taxes and lavish welfare systems with fast growth and low unemployment...Yet, the belief in a special Nordic model, or “third way”, will crumble further in 2007.”

The Economist, The World in 2007, Edition, 2006, 44

1. MAJOR CHARACTERISTICS OF THE NORDIC MODEL²

Since the 1980s, based on results from a number of comparative studies of welfare states the concept of a ‘Nordic or Scandinavian model’ or ‘welfare regime type’ has successfully entered our vocabulary, whether that of international organizations, that of scholars and that of mass media covering the Nordic countries. For the most part the concept has a positive connotation, but not always, this being dependent upon context and the eyes of the observer. Neo-liberals and old Marxists seem to share a skeptical view, while social democrats more gladly than most bring out a

¹ This paper will be published in Chinese translation in a book edited by Stein Kuhnle, Klaus Petersen, Pauli Kettunen, and Chen Yinzhang on *The Nordic Welfare States – A Basic Reader* (forthcoming, Fudan University Press, Shanghai, 2010).

² We thank Jenni Nurmenniemi for her assistance preparing the figures and tables. A draft version was first presented at the Berlin symposium in honour of Peter Flora on the occasion of his 65th birthday (Berlin, March 6-7, 2009). We would like to thank Valeria Fargion, Peter Flora, and other participants who made valuable comments and suggestions regarding contents and form. The authors are solely responsible for the views presented and any remaining errors.

strongly positive view. In fact, many Nordic social democrats will claim that it is *their* model, but in a historical perspective that is much too simplistic. Within the Nordic countries the notion is generally positively laden to the extent that political parties have competed for the ‘ownership’ of the kind of political system and welfare state that the concept is seen to denote. The concept is broad, vague and ambiguous, but it is a helpful reference for observers of *varieties* of market-oriented welfare democracies (cf. Leibfried & Mau 2008). But we can also observe that European welfare states seem to be on a track of mutual learning, in particular in the areas of family and labour market policies (Borrås & Jacobsson 2004). European welfare state models are becoming more intermixed (Cox 2004; cf also Abrahamson 2002). However, there are also some academic ‘dissidents’ (Ringen 1991) who would say that there is no such thing as a ‘Nordic’ model, and that political systems or welfare states simply do not come in types.

We use the concepts of ‘Scandinavian’ and ‘Nordic welfare states,’ or ‘Scandinavian’ and ‘Nordic welfare model’ interchangeably. Both concepts are used in the literature. In geographic terms, the Scandinavian proper would be the mountainous peninsula of Norway and Sweden while ‘Nordic’ includes Denmark, Finland, and Iceland as well. For historical, institutional, cultural, and political reasons (Nordic regional political, institutionalized cooperation since 1950s, e.g., creation of a passport union, a free Nordic labour market and a ‘social union’) we use the concepts ‘Scandinavian’ and ‘Nordic’ interchangeably (cf. also Hilson 2008). In terms of ‘welfare states’ or ‘welfare models’ the five countries, with some exceptions for Iceland, also share a number of characteristics as will be accounted for in the text. If we accept the notion of a Nordic welfare model, the analytical findings of a very comprehensive literature can be summarized in three master statements:

Stateness. The Nordic welfare model is based on an extensive prevalence of the state in the welfare arrangements. The *stateness* of the Scandinavian countries has long historical roots and the relationship between the state and the people can be considered as a close and positive one. The implication is not that the state sends “... rain and sunshine from above” (Marx (1852) 1979: 187-188) but rather that the 20th century state has not been a coercive apparatus of oppression in the hands of the ruling classes. It rather has developed as a peaceful battleground of different classes assuming an important function “as an agency through which society can be reformed” (Korpi 1978: 48). The stateness implies weaker influence of intermediary structures (church, voluntary organizations, etc.) but it includes “relatively strong elements of social citizenship and relatively uniform and integrated institutions.” The class compromise was an important element in the making

of the Scandinavian type of welfare state (Flora 1986: xvii-xx). The role of the state is seen in extensive public services and public employment and in many taxation-based cash benefit schemes. It should be remembered, however, that social services are mostly organized at the local level by numerous small municipalities that makes the interaction between the decision makers and the people rather intimate and intensive. “The difference between public and private, so crucial in many debates in the Anglo-American countries, was of minor importance in the Scandinavian countries. For example, until recently it has been considered legitimate for the state to collect and publish records of individual citizens. It is probably no accident that Sweden and Finland have the oldest population statistics in the world.” (Allardt 1986: 111).

Universalism. In the Nordic countries the principle of universal social rights is extended to the whole population. Services and cash benefits are not targeted towards the have-nots but also cover the middle classes. In short: “All benefit: all are dependent; and all will presumably feel obliged to pay” (Esping-Andersen 1990: 27-28). The universalistic character of the Scandinavian welfare state has been traced to “both idealistic and pragmatic ideas promoted and partly implemented” in the making of the early social legislation in the years before and after the turn of the twentieth century. For the first, social security programmes were initiated at the time of the political and economic modernization of the Scandinavian countries and “the idea of universalism was at least a latent element of the “nation-building” project.” Secondly, the similar life chances of poor farmers and poor workers contributed to the recognition of similar risks and social rights: “Every citizen is potentially exposed to certain risks.” Thirdly, especially after the World War II there has been a strong tendency to avoid the exclusion of people with poor means in Scandinavia. And finally, there has been a very pragmatic tendency to minimize the administrative costs by favouring universal schemes instead of extensive means-testing (Kildal and Kuhnle 2005; Kuhnle and Hort 2004: 9-12).

Equality. The historical inheritance of the Nordic countries is that of fairly small class, income, and gender differences. The Scandinavian route towards the modern class structure was paved with the strong position of the peasantry, the weakening position of the landlords, and with the peaceful and rather easy access of the working class to the parliamentary system and to labour market negotiations. This inheritance is seen in small income differences and in the non-existence of poverty (Ringen and Uusitalo 1992: 69-91; Fritzell & Lundberg 2005: 164-185). Moreover, Scandinavia is famous for her small gender differences. When the municipalities share a great part of the responsibilities for childcare and care of the old and disabled and when the employment rates of women are high, the gender differences play a lesser role in the Nordic countries than in other

parts of the advanced world (cf Sainsbury 1999; Lewis 1992). Keeping in mind the relatively high welfare benefits, the extensive public services, and women's good position in the labour market it has been, somewhat ironically, pointed out that Scandinavian men are "emancipated from the tyranny of labour market and Scandinavian women are emancipated from the tyranny of the family" (Alestalo and Flora 1994: 54-55).

The argument about the existence of a special type of a welfare state in the Nordic countries presupposes an analysis of its historical conditions. This is done in section two below. Our aim is to show, from a comparative perspective, how the Nordic welfare state emerged and became especially flourishing in the four decades following World War II (section three; for more detailed analyses, see also the individual country histories in this volume). After that, during the 1990s and the 2000s there have been extensive changes in the basic conditions of welfare arrangements almost throughout the advanced world. In the sections four and five we try to analyze how the Nordic countries have succeeded to maintain their welfare states in the high waves of globalization and European integration and faced with the challenges of changing class structures and ideological discourses. Finally, we shortly discuss the lessons and prospects of our story and situate the contemporary "Nordic Model" within the boundaries of the geography of comparative welfare state research and the current possibility of "de-globalization".

2. CONDITIONS OF MAKING THE NORDIC MODEL

The Scandinavian Route

Three factors are of major importance in characterizing the Scandinavian route of a peaceful process of general change from semi-feudal agrarian societies to affluent welfare state societies. The Scandinavian route was not paved by bourgeois revolution as in Britain and France, or by conservative reaction culminating in fascism as in Germany, or by peasant revolution leading to communism as in Russia (Moore 1966). These three transformations are:

- (1) *The increasingly strong position of the peasantry* during the preindustrial period which was connected with
- (2) *The weakening position of the landlords* and the power-holding aristocracy as a result of domestic crises and international conflicts through which Scandinavia

(3) *Became a peripheral area* in economic and political terms (Alestalo 1986, 11-12; Alestalo and Kuhnle 1987).

A unique feature in the Scandinavian class formation was the rise of the class of independent peasants as a result of the individualization of agriculture (increased peasant proprietorship, enclosure movements (see Osterud 1978: 113-151)) and very peaceful agrarian revolution (transformation to commercial farming, to a market economy, and to the utilization of new agricultural methods). The development with the family farm as the basic agricultural unit was different from most of Western Europe (large scale commercial farming) and most of Eastern Europe (large manors with quasi-feudal obligations for peasantry) (see also Rueschemeyer et al. 1992: 83-98). The individualization of agriculture was an intervention by the Crown and it implied the weakening position of the nobility that gradually turned into an urban and bureaucratic elite. The cleavage between urban upper class and peasantry was important in the formation of peasant identity and the rise of social movements and agrarian parties (Olsson 1990). The weakening position of the nobility was also connected with the collapse of the Swedish Empire and during the first decades of the nineteenth century the Nordic countries became a peripheral area in the expanding capitalist world economy (Wallerstein 1980: 203-226). The early industrialization in Scandinavia was based on success of export industries. The spatial distribution of these industries was considerable and no urban slums emerged. Therefore, the early working class movement consisted of industrial workers and a rural proletariat. In the beginning of the period of mass parties Scandinavia became dominated by the three polar class structure: the urban upper class, the working class and the peasants. In the absence of ethnic and religious cleavages the Nordic party structure was for a long dominated by these three poles (Rokkan et al. 1970: 120-126; cf also Flora 1999).

Economic Growth and Structural Transformation

While Finland with its fierce Civil War in 1918 and its more retarded, more unbalanced and more sudden economic and structural development somewhat differs from Denmark, Norway and Sweden the overall economic development in the Nordic countries was very fast and from the 1870s all four Scandinavian countries belonged to the fastest growing economies in Europe. Denmark with its industrialized agriculture reached the average European GDP-level before World War I. Norway with her shipping and Sweden with her versatile industries came to the same level

by the year 1950. Finnish developments were not so expansive. Due to high population growth, one-sidedness of the economy and the serious effects of World War II, Finland's economic performance has not been very stable. But during the decades following the war Finland belonged to the fastest growing economies in Europe and it reached the high Scandinavian level in the 1980s. Since then, all the Scandinavian countries have been among the richest countries in the world.

In Denmark and in Sweden, the pattern of transformation from agriculture to industry and services resembled that of the earlier industrialized Europe. During the interwar years the growth of the industry was faster than that of services. When the services also expanded, after World War II, the share of agricultural population was below one-third in Denmark, Norway and Sweden. Finland was a latecomer with half of the economically active population working in agriculture in the late 1940s. After that Finland's structural development was unusually extensive and robust. During the 1960s and 1970s Finland belonged to the countries where the expansion of the secondary and tertiary sector was simultaneous and the social structure was one of the fastest changing in Europe (Alestalo 1986: 14-39; Alestalo and Kuhnle 1987: 13-18).

Peaceful, Democratic Class Struggle – Consensus Politics

The rising working class was, as the peasantry, considered part of the popular movements and therefore their ascendancy into Nordic politics became, in a European perspective, quite easy – even if there was some resistance from above. There was also from the agricultural revolution onwards a widespread positive attitude to state intervention and agricultural protection agreements partly became prototypes ahead of more far-reaching political and labour market compromises (Castles 1978: 14-15; Allardt 1984: 172, Rothstein 1992). The Nordic model is normally identified by reference to characteristics of welfare state institutions (stateness; universalism) and welfare policy outcomes (equality). But it seems appropriate to add a third important component, namely **forms of democratic governance** – which refers to the way in – or process through - which political decisions are made. In this respect, the decade of the 1930s represented a political watershed in all Nordic countries with national class compromises between industrial and agricultural/primary sector interests, and between labour and capital through the major trade union federations and employers' associations. These compromises also came to be reflected at the parliamentary and governmental level, with political compromises reached across parties representing various class or economic interests. From the late 1920s Denmark was ahead acting as a policy role-model not least

for Swedish social reformers (Nyström 1989). Nevertheless, the title of the American journalist Marquis Childs' contemporary book on *Sweden: The Middle Way* (1936) captures the path-breaking change of Nordic politics in the 1930s. The politics of the 1930s came to be formative for the kind of Nordic model existing today, though these achievements at the time remained precarious and, from a broader European perspective, peripheral.

A wide concept of the Nordic model must include aspects of the *actual* democratic form of government – or *governance* is a better term - in the Nordic countries, the evolution of a specific pattern for conflict resolution and creation of policy legitimacy as basis for political decision-making. This pattern has developed over a long period of time and is characterized by active involvement and participation in various, often institutionalized, ways of civil society organizations in political processes before decisions are formally made by parliaments and governments, most particularly pronounced through triangular relationships between government, trade unions, employers' associations or similar organizations in for instance agriculture. This system of governance may be labeled '*consensual governance*'. The Nordic countries are small and unitary, which make decision-making easier than in big and/or federal states. The case of Finland's development towards a consensual democracy has been more dramatic than in the other cases: it is a long distance in politics and time from the Civil War of 1918 to the strongest example of consensus-building in peacetime Nordic politics represented by the 'Rainbow Coalition' government – comprising the parties of the communists, social democrats, liberals, and conservatives - of the early 1990s, which was established to set the Finnish economy and welfare state right after the dramatic economic downturn partly caused by the break-down of the Soviet Union and an abrupt loss of substantial foreign trade.

'Consensual democracies' is a term that generally fits developments since the mid-1930s, and particularly since 1945. Consensus-making has become an important element of Nordic politics partly for the simple fact that coalition governments are the rule – especially in Denmark and Finland-, and - in particular for Denmark, Norway and Sweden – the prevalence of *minority* coalition governments. A majority of governments have since 1945 been minority governments in these countries. Denmark is a world champion when it comes to minority governments. The Nordic tradition of what can be called '*negative parliamentarism*' – that the government does not have to be positively or constructively based on a majority in the parliament nor to be installed by a parliamentary majority – has logically appealed to the art of making political compromises: sustainable political decisions can hardly be made without parties in advance consulting each other,

creating mutual trust, and without government parties consulting opposition parties at any time. The consensual style of Nordic politics and the experience of long-term multiparty parliamentary and/or governmental responsibilities is one reason why it makes more sense to use the geographical adjective ‘Nordic’ rather than – as many of our social science colleagues do – use the narrower, political-ideological adjective ‘social democratic’ when naming the ‘model’. A partial exception to this picture is Sweden, where the Social Democrats throughout the 20th century had a more dominant position, and where debates on principles of social reforms at times appear to have been more polarized (Lindbom & Rothstein 2004; cf also Loxbo 2007 and Lundberg 2003 regarding pension policy in Sweden).

A note must also be made on the development of Nordic cooperation in the field of social policy – and the consolidation of a Nordic identity - as factors being conducive to the development of the Nordic (welfare) model. The development of formal inter-Scandinavian cooperation between parliamentarians started already in 1907. In this field of policy, the first of many regular joint Scandinavian top political-administrative meetings took place in Copenhagen in 1919. Finland and Iceland joined these meetings in the 1920s, and according to an overview provided by Klaus Petersen (Chapter 5 in this volume) there were over the years 14 such Nordic meetings of social policy makers before the Nordic convention on social security was decided in 1955, after the establishment of the Nordic Council in 1952, and which Finland was ‘allowed’ (by the Soviet Union) to join in 1955. These developments inaugurated sustained Nordic cooperation to this day across many public policy areas. A common, comparative and comparable, Nordic social statistics was established in 1946. Not least the fact that the Nordic countries pioneered transnational regional cooperation after World War II has been conducive to the maturing of a concept of a ‘Nordic model.’ And this cooperation developed in spite of different foreign policy orientations - differences mainly due to the war experience and geopolitical realities during the Cold War – ranging from NATO-membership in the Western Nordic countries over Swedish neutrality to a friendship pact between Finland and the Soviet Union in the Eastern part of the Far North. It says something about the historical strength of Nordic identity and the strength of relation-building developed both at governmental and non-governmental levels over a long period of time prior to the war that Nordic political cooperation could be strongly institutionalized in the early developing years of divisive Cold War mentality and international relations. *After* the end of the Soviet Empire, the countries still relate differently to both NATO and the EU, but a common Nordic identity prevails and is given outlet both in common Nordic and in other international fora. Nordic unity on issues of human rights, welfare and politics is often expressed through UN and other international

organizations. The period ever since the early 1930s can in terms of welfare state development in the Nordic countries be characterized as one of domestic consensus-building and common Nordic identity-building. These two elements are crucial pillars of the conception of a Nordic model.

3. THE RISE OF THE WELFARE STATE

Early Social Policy Choices

The beginnings of the modern Nordic welfare states can most meaningfully be traced to the last decades of the 19th century. As elsewhere in Europe, this development was at a general level associated with growing industrialization and urbanization, but also with the political innovation of large-scale social insurance schemes introduced in the German *Reich* during the 1880s (i.e. nation-building and state-formation). The link between industrialization and social insurance development is not clear-cut: Germany was not the most industrialized country at the time, but in countries with no or little industrialization social insurance did not appear on political agendas.

Quite remarkably, the first major social insurance laws in the Nordic countries were passed *at about the same time*, in the course of five years, 1890-1895, in Iceland, Denmark, Sweden, Norway and Finland, and Denmark as the only Nordic country introduced more than one law, altogether three, during the 1890s. Iceland introduced an old age pension (means-tested benefits) law, which was a moderation of the poor law, in 1890 (Olafsson 2005); Denmark a law offering benefits to ‘respectable’ old people in 1891, and a law on subsidies to voluntary sickness funds in 1892, and an employers’ liability act for cases of industrial accidents in 1898; Sweden introduced subsidies to voluntary sickness funds in 1892; Norway passed an industrial accidents insurance law in 1894, where employers were obliged to finance insurance for their workers; and Finland introduced its first law on semi-compulsory industrial accident insurance in 1895. The striking simultaneousness in terms of timing cannot be depicted as a historical coincidence, and can only to some extent be explained by indicators of socio-economic development and political democratization. Denmark was the most urbanized and industrialized country at the time, and in the Nordic context the simple logic-of- industrialism argument appears to hold at a general level in terms of scope of social legislation during the 1890s. But we may ask: what is the logic of being the *most* industrialized (Nordic) country and introducing an old age pension law (Denmark) and being *less* industrialized and introducing accident insurance for industrial workers (Norway). The industrialism argument

does not differentiate sufficiently the Nordic countries as to the timing of the first social insurance laws, nor does it reasonably account for the actual type of the first laws. In general, various indicators of democratic development do not perform much better for the explanation of the early social legislation. The democratization factor is multi-dimensional, and it is not obvious which dimension should logically be of greatest importance for social policy development. Norway was the only Nordic country where the principle of parliamentarism had been carried through, while Denmark had the widest enfranchisement, the highest levels of electoral participation and the most developed party system (Kuhnle 1981).

The overall variations in levels of democratization among the Nordic countries and the similarity in timing of the first social security laws reduce the explanatory power of the democratization argument, and as we know, neither Germany nor Austria as pioneers in social insurance legislation in the 1880s, were European frontrunners as to democratic development. But, as we also know, social insurance legislation can be introduced for a number of reasons and motivations, a popular democratic demand being only one of these. It may be that the combined effect of socio-economic development and a relatively politically mobilized electorate to some extent account for the fact that Denmark on the whole was more active in the field of social policy legislation throughout the 1890s than her Nordic neighbours. But a wider European comparison of socio-economic structures and political system characteristics should caution us against simple structural explanatory factors like industrialization and democratization. Such an analysis can only take us a certain distance on the way to an understanding of the when, how, and for what purposes social security legislation came about. Neither can the similarity in timing of first social insurance laws in the Nordic countries be explained by Nordic political and administrative cooperation and coordination, which hardly existed at the time. It should, however, be mentioned that international cooperation between national central statistical bureaus developed in Europe during the latter half of the 19th century, promoting collection of various kind of more or less comparable statistics, and associations of national economists – as the then social science knowledge communities – were created at the time and communicated across borders (Kuhnle 1996).

The German ideas of social insurance of the 1880s quickly drifted northwards and had a demonstrable impact upon Nordic legislative activities, and thus on *the similarity of timing* of the first Nordic social insurance legislation. None of the Nordic political and administrative authorities were alien to social concerns when the German ‘innovation’ materialized and triggered political initiatives and debates in many European countries, but concerns about ‘the social question’ moved

higher on the political agenda than otherwise likely would have been the case. In Denmark a public commission was set up in July 1885, after the passage of the first two social insurance laws in Germany, and after a similar committee, with clear reference to the German legislation, was set up in Sweden in 1884. The Swedish committee was specifically asked to study the German program and propose legislation on that basis. But in both countries, social questions had been discussed and to some extent publicly investigated for a number of years, especially in Denmark. The Danish commission of 1885 resulted in plans for accident insurance clearly inspired by the German precedent, but – as was the case in Sweden – the proposal submitted in 1888 failed in parliament. Its proposal (of 1887) for state subsidies to recognized sickness funds based on voluntary insurance led to legislation in (July) 1892, and had an impact upon the proposal by the Swedish commission, where a similar law was passed, in fact before the Danish one, in (May) 1891. But these laws did not carry the stamp of Bismarck’s compulsory insurance.

A ‘Workers’ commission’ was set up in Norway in 1885 with the aim of introducing social insurance, and with direct references to the German legislation and the Swedish commission established, and the law on accident insurance in 1894 is the only, modest legislative result of that initiative. Referring to German developments, the Finnish *Landtag* petitioned government in 1888 to appoint a commission to draft proposals for worker insurance, and one was appointed the following year with the instruction to outline proposals for accident and sickness insurance. A semi-compulsory accident insurance law was introduced in 1895, while a statute on sickness insurance of 1897 stopped short of offering public subsidies – as in Denmark and Sweden – but only implied governmental auditing of private sickness and pension funds. In Denmark, the first initiatives for old age relief with a financial role for the state originated with a commission established in 1875 and proposals submitted in 1878, i.e. several years before the German Kaiser and his Chancellor Bismarck launched their program in the German *Reichstag* (in 1881). To put it short: the Danish law on “Old Age Pensions for Respectable People Outside the Poor Relief System” which was passed in April 1891 bore no resemblance to the German law of 1889: its basic principles of financing, organization, and benefit entitlements were totally different.³

Early social insurance/security developments in the Nordic countries were inspired by German developments, while the sequence and contents of early legislation hardly at all followed the

³ In fact, even if the law had been inspired by German examples, this would likely not have been publicly admitted: this was an era of strong anti-German sentiments in Denmark thanks to the Danish loss of Sleswig to Germany in the Second War of Sleswig in 1864 (cf Chapter 2 in this volume).

German example. To explain early Nordic developments a state capacity perspective may be introduced, and has been attempted in a comparison of the growth and characteristics of the central bureaus of statistics in the three Scandinavian countries of Denmark, Norway and Sweden (Kuhnle 1996, 2007). The development of official statistics is closely linked to the process of state-building and the evolution of a specialized public bureaucracy. Government interest in statistical information increased as a result of efforts to mobilize resources for the maintenance of a standing army and a professional public administration. The development of official statistics in Scandinavia was part of a general European development in the 19th century, and the great breakthrough came after the July revolution in 1830: the period from 1830 to 1850 has been labeled “the era of enthusiasm” of the history of statistics (Westergaard 1932). From the 1850s, national official statistics and publications on various subjects stimulated international comparisons. In Scandinavia, the strengthening of constitutional life encouraged the publication of statistics, and the development was clearly interwoven with state-building processes. That the state could assist in solving social problems, dealing with new needs for worker protection and income security, was generally recognized in Scandinavia at the time of the German social insurance legislation. German legislation came at a time when the Scandinavian countries were politically and intellectually ‘prepared’ or ‘ripe’ for state social action.

The development of the statistical offices, their varying capacity, their orientations and actual experience with collection of various kinds of statistics, historically can be hypothesized to have been an important variable accounting for variations in the type of first social security law introduced in various countries, i.e. for which social security purpose it was administratively - and possibly politically – easiest to introduce legislation. It *may* be accidental that Denmark as its first law introduced an old age pensions scheme; that Sweden first introduced sickness insurance, and that Norway and Finland first introduced industrial accident insurance, but the proposition would be that these variations can be explained to a large degree by different characteristics of state administrative capacity. The statistical preparedness for social legislation differed as well as the capacity to undertake large-scale data collection efforts on short-term basis at the time when Bismarck’s conception of state social insurance was exported from Germany and ‘had to’ be taken more seriously politically. An additional factor is the elite interconnections, or embryonic epistemic communities, within the countries (statistical expertise; academic economists; government officials and politicians). Milieus representing empirical social-scientific knowledge developed within and outside relatively independent governmental statistical agencies. The conception of ‘social

statistics' was formed. The variable availability of statistics affected policymaking alternatives in the early era of social insurance discourse.

The Breakthrough of Universalism

Denmark and Sweden were the first Nordic countries to introduce universal coverage in the core schemes of the welfare state, sickness insurance and pensions. During the 1890s these countries conducted a reform where the state started providing subsidies to earlier voluntary funds. The same procedure was followed in Denmark and in Sweden in the case of national pensions. Sweden introduced national pensions in 1913 and Denmark with a series of reforms in 1891, 1922 and 1933. Especially in the case of national pensions systems Finland and Norway were late-comers introducing national pensions in the mid 1930s. As is presented in Table 1 all four Scandinavian countries implemented general child allowances almost immediately after World War II. In Finland, in Norway and in Sweden these allowances were cash benefits, in Denmark the allowances were composed mainly of tax-deductions.

Table 1. Year of Introduction of the First Universal/Compulsory Social Security Schemes in the Nordic Countries (see note under the table).

	Denmark	Finland	Norway	Sweden
Scheme	Year of introduction of the universal/compulsory scheme			
Industrial accident insurance	1898 1916	1895 1917	1894 1901 1921	1901 1916
National sickness insurance	1933 (semi-compulsory)	1963	1909 1953	1955
National pensions	1891 1922 1933	1937	1936	1913
Unemployment insurance	-	-	1938	-
Child allowances	1952	1948	1946	1948

Source: Flora & Alber 1981; Kuhnle 1981, 140; Flora 1986 (4), 12, 23, 81, 88, 144, 210. NOTE: The table only lists the laws that introduced compulsory insurance (and/or compulsory contribution to social security schemes. They all end up as universal, but first laws were generally limited in worker or population coverage, except for the 1913 Swedish pension law and the laws on child allowances which were universal from the start.

Among the growing Nordic welfare states rural and non-industrial Finland proved to be an exception during the interwar years. Due to her position as an interface periphery independent Finland belonged also to the new (East-) European states emerging from the ashes of the First World War and of the Austro-Hungarian and Russian empires. As elsewhere in this area land reforms were conducted with highly increased number of small farms. As an inheritance of enclosure movements and the fierce Civil War in 1918 *the land question* became an important political and social issue, more important than *the social question* that dominated the political discourse in the other Nordic countries. The last land reform took place after World War II. As a result, Finland became a late-comer among the Nordic and Western European welfare states. Finland was the last Western European country to introduce sickness insurance in 1963 (Flora & Alber 1981, 59). In the early 1960s, in terms of coverage of major welfare schemes Finland reached the other Nordic countries but in terms of the compensation levels Finland stayed much behind the other Scandinavian countries (Alestalo, Uusitalo & Flora 1985: 192-202).

In presentations of the ‘Scandinavian/Social democratic model’ there has been an emphasis that the social democrats have been the main advocates of universalism in social policy (Esping-Andersen and Korpi 1987: 49-55; Esping-Andersen 1990: 26-29). Kari Salminen’s detailed analysis on the making of the pension policy in the Nordic countries demonstrates that the universalistic pension policy was more on the agenda of the agrarian parties. Social democrats supported a combination of universal and work performance model. They preferred “high pensions for all gainfully employed but not necessarily for the community as a whole” (Salminen 1993: 360; see also Hatland 1992).

The Golden Age of the Nordic Welfare State

The three decades from the early 1960s to the end of the 1980s were the golden age of the Nordic welfare state. During this period there was a catch-up process where Finland, Iceland and Norway, which in the 1950s spent a smaller proportion of their GDP on social security than Denmark and Sweden, bridged the gap to Denmark and Sweden. The real growth of social expenditure was very fast especially in Iceland but also Finland and Norway had higher growth figures than Denmark and Sweden. Despite the different growth figures Sweden remained as the leading Nordic welfare state during these decades. Sweden used more resources on almost all major programs than the other countries. Together with Sweden Denmark was a pioneer of the welfare state even in the 1960s but after that it lost this position and stayed at the level of Finland and Norway in the 1980s. Her

economic growth was slower than in the other countries and unemployment and social assistance expenditures increased from late 1970s faster than in the other countries (Alestalo & Uusitalo 1992: 37-68)

Long term comparisons on the development of public employment are nowadays possible only on the basis of the information coming from the OECD. The data is based on the System of National Accounts which utilizes the concept “producers of government services.” The definition includes central and local bodies in administration, defence, health, education, social services and promotion of economic growth and it excludes most public enterprises. If the public enterprises are taken into account the share of the public sector of the labour force comes almost or over ten percentage points higher in all Nordic countries. With the exception of Sweden, the Nordic countries did not deviate much in terms of the scope of government employment from the other countries in the OECD-area in the 1960s. Between 1970 and 1985 most of employment growth in Scandinavia was a matter of public expansion. Especially in Sweden and in Denmark the expansion was very fast. In 1985 the government employment went beyond 30 per cent of total employment in Sweden, and Denmark came quite close with 30 per cent. Finland and Norway stayed at a much lower level (see Table 8).. The Nordic countries deviated from other advanced countries because the expansion of the service sector was mainly a welfare state phenomenon. The increasing female labour force participation was paved by the expansion of public employment. Also in this respect Sweden was the leader, followed by Denmark, while Finland and Norway stayed at somewhat lower level. In Sweden, Denmark and Norway a great proportion of this change came through the increase of part-time work but the fate of Finnish women was full-time work (Alestalo, Bislev & Furåker 1991: 36-56).

Despite some inter-country differences the general pattern of change was quite similar throughout the Scandinavian area. Public sector employment expanded and the welfare state covered the whole population and was able to offer services and cash benefits to people who confronted serious social risks. As the editors of the book *The Scandinavian Model* (1987) a bit proudly state: “In social policy, the cornerstone of the model is *universalism*. The Scandinavian countries have – at least on paper – set out to develop a welfare state that includes the entire population. Global programs are preferred to selective ones: free or cheap education for all in publicly owned educational institutions with a standard sufficiently high to discourage the demand for private schooling; free or cheap health care on the same basis; child allowance for all families with children rather than income-tested aid for poor mothers, universal old-age pensions, including pension rights for housewives and

others who have not been in gainful employment; general housing policies rather than “public housing”.” (Erikson, Hansen, Ringen & Uusitalo 1987: vii-viii).

4. CHANGING CONDITIONS FROM THE 1990s ONWARDS

The conditions surrounding the Scandinavian welfare states of the 1990s and early 2000s contrast sharply to those of the immediate post-war period. This is not to say that all that was solid has melted away. For instance, the Nordic countries are still a stronghold of Lutheran Protestantism, the state-church relationship historically always made them different from predominantly Catholic Continental Europe and continues to do so. However, secularization has made headway and the state-church complex is gradually disintegrating. In Sweden, for instance, the Church of Sweden became a ‘voluntary’ - even a voluntary welfare - organization in 2000 and actually the largest of this kind as its membership still comprises the great majority of the population. Moreover, in Denmark and Sweden in particular international migration and the changing demographic composition of these populations have made both the Catholic church and various Muslim congregations important religious associations, also as significant welfare providers. Furthermore, earlier mobilizing social movements such as the temperance movement have declined in importance in Scandinavia while others have become much more institutionalized and less mobilizing, for instance the trade unions, employers associations, and the agricultural co-operatives (Olsson 2001). New social movements have seen the light of day and thrived in Scandinavia, feminism and environmentalists in particular, though more as networks than earlier movements (Tranvik & Selle; 2007; Papakostas 2001; cf. Olofsson 1988). Below we discuss five parameters of such large-scale social change more or less conducive to welfare state development: international migration and demographic change; globalization and European integration; economic development; transformation of the class structure; and finally a note on ideological changes and the rise – and fall? – of a new mode of thinking, or “neo-liberalism”.

International Migration and Demographic Change: From Homogenous to Heterogeneous Societies?

Since Napoleonic times and the decline of monarchical rule, the four Nordic countries have been extremely homogeneous, with the partial exception of Finland, where a Swedish-speaking minority has been recognized ever since the Tsarist era. However, as the Saamis of Lapland has consistently

remained the majority populations, the distinction between various types of settlers is ambiguous. Until the early 1930s the Nordic countries were also marked by emigration as large numbers of people moved to North America in particular. After the Second World War this pattern was reversed by two waves of migration. During the early post-war decades, labour migration turned Denmark, Norway and Sweden into recipients, while Finland continued to send people abroad, above all to Sweden. During the boom of the following decade labour migration from Southern Europe was encouraged and, thus, the Mediterranean world also provided numerous immigrants. From the 1970s, the main new settlers in Scandinavia have been refugees, asylum seekers and family reunification migrants, now also coming from further south and east. Though no longer a sender, Finland has continued to be a partial exception to this pattern of international migration. The main pattern, though, is part of a global movement from South to North, and the trend was accentuated in the 1990s with a large influx of people from war-torn Yugoslavia, later on also from Iraq and Somalia. As we approach the second decade of the new Millennium, less than one million foreign-born in Sweden and almost half a million each in Denmark and Norway (these figures do not include these migrant's children and grandchildren born and raised in Scandinavia) are contributing to a dramatic demographic reconfiguration. Nordic societies, have ceased to be ethnically homogeneous and are now fairly heterogeneous. This has had effects on class structures (most newcomers were initially working class) as well as on the welfare state as strong attempts have been made to culturally assimilate and socially integrate peoples from afar into the Scandinavian nation(-state)s. In terms of system integration the guest worker approach was abandoned early on – active labour market integration programs included language training as well as social studies – in favour of participatory political-institutional solutions including the right to vote in local elections after a few years of residence. There was a strong public concern about the fate of the children of first-generation immigrants and their chances of social mobility (higher education). Ambitious state-sponsored social inclusion programs - from pre-school facilities to service homes for elderly – were started, particularly in the metropolitan areas. Performance has fallen short of expectations. The "failure of social integration policy" – outsider status or social exclusion in particular in certain metropolitan suburbs (social segregation) – has been a bone of contention between government and opposition (Hajighasemi et al 2006). In a globalized world these welfare states are facing a threat of de-globalization.

Globalization and European Integration

The Scandinavian or Nordic welfare states have always been ‘global’, in the sense of both participation in the international economy as well as in inter-state organizational cooperation from the regional intra-Nordic to the truly global ILO, UN etc. besides being prepared to learn from foreign examples, such as the locally adapted initially German-, later British, welfare state. Apart from continuity in military security which here simply imply that in 1949 Denmark and Norway joined NATO while Finland and Sweden stayed outside, post-war European integration meant for the Nordic countries at first in particular cooperation within the European Free Trade Association (‘the seven’), from the 1970s a move towards ‘the six’ with Denmark in 1972 as the first Nordic member-state of the then European Economic Community. The same year a popular referendum in Norway turned down this alternative. However, Denmark has been a rather reluctant member and several times voted ‘No’ to deeper European harmonization and integration including a ‘No’-vote in 1992 to the Treaty of Maastricht. It should come as no surprise, that its welfare state has remained distinctly Danish, and Nordic (Hilson 2008; cf also Goul Andersen 1999, Christiansen et al 2006; Petersen 2006).

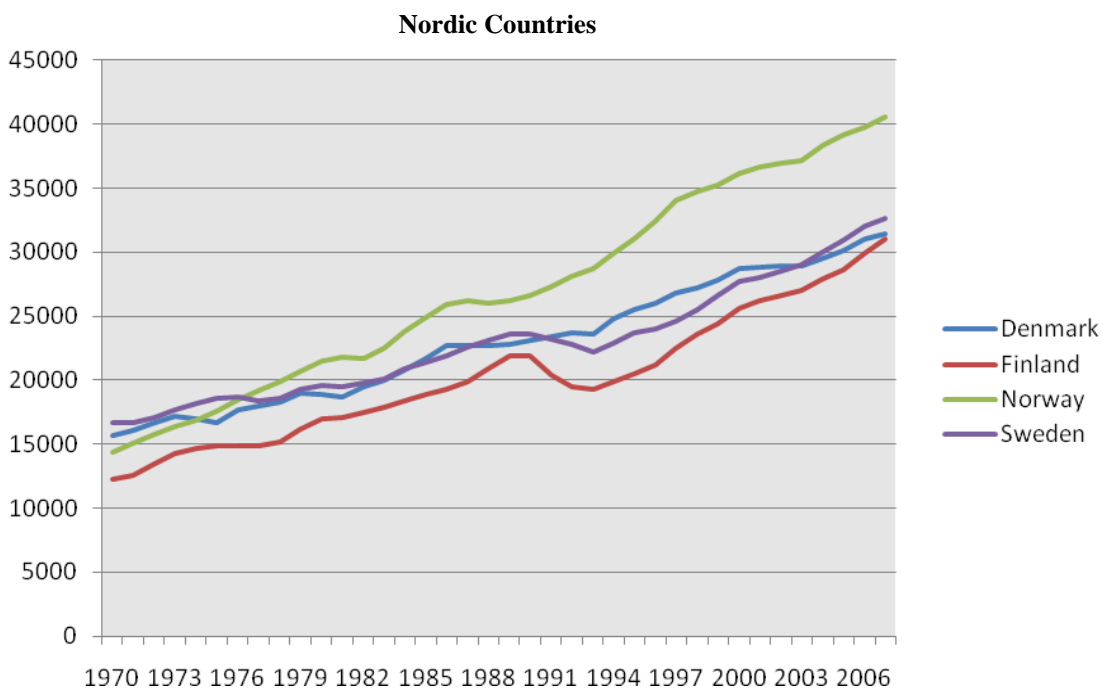
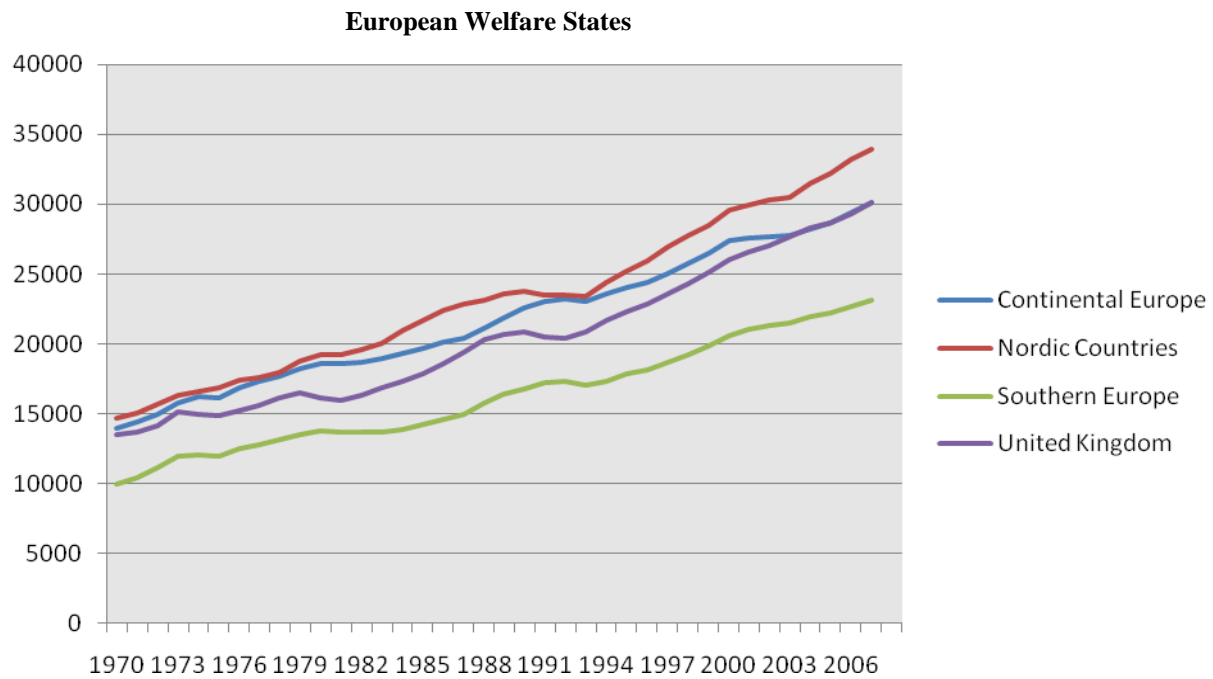
With the end of the Cold war again Norway but also Finland and Sweden approached what was now the Single Market, and soon also the European Union. Negotiations opened, and agreements were signed. Thus, from the early 1990s the three countries became much more integrated with the Union and its internal market as part of a larger European Economic Area. Nation-state membership in the Union again reached the political agenda and in 1994 there were three separate popular referenda whereby Finland and Sweden decided to join the Union as of 1995 while the Norwegians once again ended up with a ‘No’ on the basis of an advisory referendum. With the start of the monetary union in 1999, however, only Finland joined the Euro-zone (Euro came in everyday use in 2002) while both Denmark and Sweden kept their local currencies. Simultaneously, all three countries have within the European institutional structures been pushing the opening up of the Union eastwards towards former Soviet allies, though. Moreover, they have been actively involved in various practical initiatives in the Baltic Sea area, Estonia, Latvia and Lithuania in particular though not primarily as a social policy model (cf. Aidukaite 2004). Nevertheless, as a consequence of recent European integration the Nordic countries have become part and parcel of the European social model but kept most of the distinctiveness of its own part of this model (Montanari et al. 2008).

Economic changes

Thus, the new world – including a new-old Europe – after the demise of the Soviet Union and the subsequent collapse of the Soviet-Russian economy has made the Nordic welfare states even more regional, and global as well. Of the structural changes perhaps most important has been the increasingly free flow of capital. Western credit market deregulation made nation-states – including the Nordic ones except Norway – as borrowers more vulnerable to foreign investors. It is not surprising that the upcoming recession of the early 1990s severely strained the public finances although Denmark managed to keep its spending below the budgetary target. The first half of the 1990s was in particular for Finland and Sweden a period of acute crisis, and the welfare state came in for scrutiny with the rise of globalization as a new figure of thought not least by professional economists. Denmark and Norway, however, were less affected by the general downturn at that time. Growth rates went down across the board while both Finland and Sweden had negative growth for several years during the first half of the 1990s. The Soviet Union was an important trading partner with Finland, and the ties between the Finnish and Swedish economies close. In Sweden, the market value of the private housing and banking sectors almost faded and had to be saved by initially costly but retrospectively innovative policy initiatives. At that time, the financing of the welfare state was in jeopardy. The fiscal surplus suddenly disappeared and public finance balance deteriorated sharply. The resulting deficits created a lot of anxiety about the sustainability of the welfare state and the possibility of financing universal welfare systems. Thus, the welfare state was challenged from within as well as from the outside world. In Finland the economy spun into a vicious circle of negative economic growth rates, a rapidly growing budget deficit, severe bank crisis, increasing foreign debt, depressed domestic demand, tightening taxation, and skyrocketing unemployment. Nevertheless, no fundamental changes in the main welfare schemes were made but there were a wide variety of minor adjustments and cuts in welfare benefits and services (Alestalo 1994: 73-84).

From the mid 1990s, however, not only Denmark and Norway but also Finland and Sweden have shown rather impressive figures of economic development (Figure 1). Modest, steady growth has characterized the period up to the most recent crisis at the end of the first decade of the 2000s, ('the global financial meltdown') and the outside world at first rather surprised started to look with envy on the well-financed Nordic welfare states. This has reassured both global and national investors' confidence in public borrowing and it is probably true to say that the welfare states of the Far North of Europe have stood the test of globalization.

Figure 1. Gross Domestic Product Per Capita at Fixed Prices, (Constant PPP's, US dollars) in the Nordic Countries and Different Types of European Welfare States, 1970-2007.*



Source: OECD. National Annual Accounts. Main Aggregates, Gross Domestic Product. OECD.Stat: <http://stats.oecd.org>. (April 18, 2009).

* Classification of countries: see Table 3.

Moreover, during the last decade in survey after survey of the global business environment, competitiveness and transparency the Scandinavian countries have consistently scored well, very well to be exact. The world-wide ranking of nations according to indicators of competitiveness made by the World Economic Forum – a list was compiled in co-operation with the Center for International Development at Harvard University – Finland, most severely hit by the recession in the Nordic area in the early 1990s, actually was ranked Number 1 already in 2000, replacing the US which was on top of the ranking the previous two years. Moreover, the other three main countries of the far North of Europe belonged to the ‘top 20’: Denmark, no. 6 (up from 7 in 1999 and 8 in 1998), Sweden 7 (nos. 4 and 7 in previous years), and Norway no 20 (previously 18 and 14). This pattern has continued throughout the first decade of the new Millennium though inter-Nordic ranking has changed over years. According to the Global Competitiveness Index in 2006, the Scandinavian states are among the first worldwide: Finland: 2, Sweden: 3, Denmark: 4, Norway: 12 (World Economic Forum 2006).

Furthermore, the Scandinavian countries had higher labour productivity, defined as GDP per person employed, in the 1990s than the average of EU countries and the USA and labour productivity was rising in the last decade compared to the previous one (Kuhnle, Hatland and Hort 2003). European countries vary a lot in terms of scope of government employment and size of public sector, but the experience of the Scandinavian countries is that also growth in government employment has been quite compatible with expanding welfare states and economic growth; that there is thus no clear-cut relationship between scope of the welfare state and economic performance.

Changes in class structure

Although the making of the Scandinavian welfare state was filled with conflicts between workers’ and farmers’ parties and, on the other hand between these and the conservative, urban-based parties, the absence of the feudalistic structures, the low concentration of landholdings, rural industrialization, non-existing urban slums and non-existing religious or ethnic cleavages, make the important socio-economic structures unitary in Scandinavia. In the period of the making the welfare state Nordic societies were dominated by parties of poor workers, of poor farmers and of not much affluent urban residents. And it is relatively easy to understand that this constituted a unique foundation for universalistic, state-centred and equality-directed welfare structures. In Central Europe, for example, the high level of economic organizations, guilds, mutual benefit organizations,

different kinds of trade unions and greater variations in affluence, a more fragmented system emerged (Alestalo & Flora 1994: 60-61; see also Allardt 1984).

Table 2. Economically Active Population According to Present Socio-economic Position in the Nordic Countries, 2006.

	Denmark	Finland	Norway	Sweden
Present socio-economic Position				
		%		
Managers, professionals and upper white-collar workers	27	22	17	23
Lower white-collar workers	39	38	53	49
Small entrepreneurs and managers of small enterprises	3	3	2	1
Blue-collar workers	28	31	25	25
Farmers and other agricultural producers	3	6	3	2
Total	100	100	100	100
(N)	1418	1806	1672	1783

Source: European Social Survey 2006. Note: Includes only civilian employees, population over 15 years of age. <http://www.europeansocialsurvey.org/> (February 18, 2009).

Classification (ISCO 88): Managers ... (1000-1239, 2000-3000, 3142-3144); Lower ... (3100-3141, 3145-5220); Small ... (1300, 1310, 1312, 1319); Blue-collar ... (6000, 6100, 6140-9330); Farmers ... (1311, 6110-6130).

The fast economic growth, rapid changes in the social division of labour and high increase of educated people during the decades following World War II have transformed the structural base of the Nordic welfare states. The number of farmers has almost diminished and there has been a strong decline in the proportion of manual workers. Economically active people in present-day Scandinavia are mostly various kinds of white-collar workers among which well-educated and well-off middle class people have a high proportion (Table 2). Although the coding procedure used in Table 2 may exaggerate the share of upper white-collars with some percentage points the class structure in the Nordic countries do not deviate much from that in Continental Europe or in Great Britain (Leiulfstrud et al. 2005, 28-37). Changes in class structure are among the most important challenges arising from the changing preconditions of the Scandinavian welfare state.

Ideological and Political Changes – The Age of Neo-Liberalism?

Finally a note on epochal changes in mindset: in recent decades the new global set-up and its cultural repercussions has entailed some changes affecting also the geopolitical status of Scandinavia and its welfare state model. The earlier predominantly West-East Global Cleavage has been replaced by a North-South divide: the North has absorbed the old West and the rest is South, although the new East – East, South-East and in the most recent decade even South Asia (India) – gradually have come to challenge that axiological division. Moreover, in the Northern camp, on the fringes of the new-old world the Far North has set itself apart as a somewhat different world of Welfare States. With the new wave of globalization, at least since the 1990s the Scandinavian model has come under increasingly closer international scrutiny and seems to have had to ‘adapt’ or adjust to the new secular mode of global social organization: neo-liberalism. To some extent this is true. Rather ironically, also in Scandinavia Social Democrats came to sing neo-liberal songs. In the social policy debate of the 1980s and 1990s, many commentators and researchers began to argue that, if the welfare system grows too large, it risks perverting incentive structures in both working life and society in general. Welfare breeds a dependant underclass. Pundits and professors alike pointed to what they considered to be excessively generous sickness and unemployment benefits, and to the manifold opportunities for drawing disability pensions, and they claimed that this excessive generosity resulted in various forms of over-utilization and over-insurance. Such spokesmen have maintained that the assumption by the state of far-reaching responsibilities for the well-being of citizens leads to a moral weakening of the various networks of civil society - families, neighbourhoods - and that the persons receiving assistance are relieved of responsibility for their own actions. They claimed that social policy, if anything, worsens the problems it sets out to solve. This critique is by no means new, of course; quite the contrary; the debate over the ‘spirit of welfare dependency’ raged already at the dawn of social policy, both in Scandinavia and elsewhere but took a new turn with the rise of the global neo-liberal agenda. The next step was to start the “fundamental reassessment of the role of the public sector” (Saunders and Klau 1985: 12).

What was new was the renewed energy with which this critique was put, together with the fact that those expressing it was also be found on the left of the political spectrum (Kuhnle and Hort 2004:13-17). Growing macro-economic imbalances in the aftermath of the so called oil crisis of the mid-1970s, made the fiscal crisis of the state a recurrent theme in the discussion about the relationship between state and economy. perhaps most widely articulated within the profession of

academic economists. All over the Western world, important segments of this profession turned towards a critique of the earlier dominant paradigm of Keynesian macro-economic planning in favour of monetarist laissez-faire neo-classical economic thinking. In such circles, the welfare state was no longer looked upon as a solution to but rather as a source of the crisis. Perhaps less so in Scandinavia than in other parts of the developed world, nevertheless this strand of thought became an influential voice in the public debate. Domestic critics of the welfare state in Scandinavia argued that the growth of the public sector had caused stagnation in the growth of the overall economy as increased taxation crowded out private investments and private entrepreneurship (Dowrick 1996; cf also Agell, Lindh and Ohlsson 1997). For a while this was mainly an academic critique of national policy-making although a tax revolt in Denmark already in the early 1970s pointed out a weak spot in the welfare state consensus (Norby Johansen 1986). However, with growing crisis symptoms all over Scandinavia the impact of this kind of thinking widened. But it was not until the early 1990s, when the economic crisis severely hit two of the national economies of the region, Finland and Sweden, that the true possibility of the neo-liberal formula became visible also in the heartlands of the welfare state, and the academic economists for a while came to dominate policy reorientation (cf Lindbeck et al 1994).

However, a universal welfare state can be seen as an experiment in solidaristic behavior on a massive scale (Kumlien and Rothstein 2005; Rothstein 2001; Baldwin 1990). If benefits are widely and systematically abused, or perceived being done so, this solidarity comes under severe stress. Thus, the solidarity necessary for the preservation of the system is not absolute but conditional. If the profession of academic economists in large numbers left the post-war consensus behind the welfare state, a different pattern is to be found in the Scandinavian population at large. While the academic as well as part of the political elite has questioned the efficiency of the welfare state, in contrast the attitudes among the great majority of the populations in Scandinavia has remained solidly in support of most social programs and in particular universal social programs (Nordlund 2002; Svallfors 1996). Thus, with an impressive economic performance from the second half of the 1990s, gradual changes in the underlying social structure and a rather stable political system slowly integrating into a larger Europe, it should come as no surprise that during the present decade the Scandinavian model has regained something of its status as an alternative or supplement to the dominant – global or American – societal model. In a fragmented Europe in recent years, it is the performance of the universal welfare states of the Far North, not the continental or blairite Anglo-Saxon types, that has injected new energy into the European Social Model.

Summarizing section four, the Scandinavian welfare model, while having been put on some severe tests in the early nineties, particularly in Finland and Sweden, has been able to revitalize and maintain its core elements of universality and societal and economic stratification. We refute perceptions that see the end of the Scandinavian welfare state and attempt to explain why the welfare state in the Nordic countries has not crumbled. We will look at institutions and outcomes from a macro-perspective with the goal of showing broad policy developments. Using selected data, we will illustrate where changes in the Scandinavian welfare model have occurred and will draw some tentative conclusions as to the regional influence of globalization on the Scandinavian welfare model.

5. SCANDINAVIAN WELFARE STATES IN THE 1990s AND 2000s

Initially the 1990s was a period of crisis while the first decade of the new Millennium has witnessed a renewed international interest in the Nordic Model. Gradually the welfare state has regained some of its strength. Approaching a new global economic crisis the solutions to the financial crisis of the early 1990s – in particular as regards the banking sector – have become another Scandinavian model for the world to follow at the entrance into a new period of crisis or “financial meltdown”. Focusing on welfare and organization between two crises - in which ways have these welfare states changed: how and why? First we will focus on policy developments, then on social expenditures and welfare cutbacks and reorganizations. What about outcomes: poverty and in-equality?

‘Work-, Woman and Family-Friendly’ Policies Including Increasing ‘Child-Friendliness’ but less ‘Immigrant Friendliness’?

Economic growth is possible with a number of welfare state constructions, of different scope and generosity including the type characteristic of the Far North. Growth and efficiency are not the sole goals of Scandinavian national welfare politics but they have definitely been reinforced, even reinterpreted, during and after the crisis of the 1990s. Still, they are not the only political and social goals. Some goals may even partly be considered hidden such as pro-natalist ones (e.g. demographic growth or policies that may promote increased fertility rates). Politics and welfare state construction are also about equalization of life chances, social justice, social security, social cohesion and stability. All of which are also in various ways related not only to economic growth

and dynamics of economic development, climate of investments, etc., but also to political preferences, ideologies, interests and values. Thus, what kinds of welfare state policies are possible is also at all times a question of what is considered desirable by parties, voters and governments, and what is considered desirable – what the state can and *ought to do* (Rothstein 1994) – is a question of political and cultural context (norms, expectations, value structures: fairness, justice, cohesion, stability, material and physical security, well-being, etc.) as much as a question of level of economic development and theories and knowledge of pre-requisites for economic growth and efficiency.

Among the many characteristics which can be ascribed to the Scandinavian type of welfare state is its ‘work-friendliness:’ the persistent efforts to develop social security and labour market policies which promote ‘full employment’ and which have helped put the Scandinavian countries on top of the list of employment ratios of OECD countries. Being among the most comprehensive welfare states, providing income transfers and services on a more universal basis than elsewhere in Europe, it is interesting to note that all of the Nordic countries showed increasing labour productivity in the 1990s compared to the previous decade, and that the level was everywhere higher than for the USA and for the EU average (Kuhnle, Hatland & Hort 2003). Among European welfare states, the Scandinavian countries were also the most ‘women-, family- and child-friendly’ (Hernes 1978; Esping-Anderson 1999; 2002; 2005), i.e. in terms of having developed policies conducive to labour force participation of both women and men in families with children and/or other care responsibilities – which may be another way of looking at the degree of ‘work-friendliness’ of welfare states. In one way, such government schemes may be considered both ‘work-friendly’ and ‘family-friendly’. If families are relieved of some of their ‘burden’ (itself a contested concept) as care-givers (for their young, old and sick family members) labour market activity and labour mobility can increase, and thus also economic productivity and growth. Government social policies can provide the basis for flexible solutions for families, for employees and for firms. Social policies can make it possible, if desired, for both husband and wife to combine family obligations with full (or part-time) gainful employment. The Scandinavian countries have for long had the most extensive provision of (local) government welfare and care services for children and the elderly of Western welfare states (Kohl 1981; Anttonen & Sipilä 1996: 87-100; Kautto et al. 1999). When referring to policies oriented towards gender equality, Scandinavia usually comes to mind first. Daycare for even the youngest children, generous parental leave for mother and father and numerous further support programmes have created a mythical landscape of Scandinavian gender equality for women worldwide. As the Table 3 below show, the Scandinavian states have been

forerunners in cash and social services for families. How much of this core feature of the Scandinavian welfare model is part of reality? How have family and gender policies changed over time?

Table 3. Total Family Expenditure as a Percentage of Gross Domestic Product in Different Types of European Welfare States, 1980–2005, (unweighted averages).

Year	1980	1985	1990	1995	2000	2005
Denmark	2.8	2.6	3.2	3.8	3.1	3.2
Finland	1.8	2.5	3.2	4.1	3.0	3.0
Norway	1.8	1.9	2.7	3.5	3.0	2.8
Sweden	3.9	4.1	4.4	3.8	2.9	3.2
Nordic Countries (average)	2.6	2.8	3.4	3.9	3.0	3.1
Continental Europe	2.6	2.3	2.2	2.3	2.4	2.4
Southern Europe	0.7	0.5	0.7	0.7	1.1	1.2*
United Kingdom	2.3	2.3	1.9	2.3	2.7	3.2
OECD Total	1.6	1.5	1.7	1.8	1.9	2.0

Classification of countries

Continental Europe: Austria, Belgium, France, Germany, the Netherlands

Nordic Countries: Denmark, Finland, Norway, Sweden

Southern Europe: Greece, Italy, Portugal, Spain

* Figure for Portugal for year 2005 is missing.

Source: OECD. Compiled using OECD StatExtracts and SourceOECD: Social and Welfare Statistics, Social Expenditure, Aggregated Data. <http://stats.oecd.org> (February 11, 2009).

While many continental European countries have supported a traditional family model, the Nordic countries have promoted the dual-earner family. Further support for gender equality emanates from an individual based tax policy: instead of taxing families, the Nordic countries tax each family member independently. The incentive for both partners to work is thus higher, especially compared to the Continental welfare model (Kangas & Palme 2005: 36). It is also remarkable that the employment rates of men and women in the Scandinavian countries show the lowest disparities in Europe. This is especially important since employment rates of women in continental Europe decrease significantly after marriage (and children). However, women in Scandinavia are largely employed in the public welfare sector, thus leading to occupational segregation. Recent decades have, however, indicated an increasing convergence in terms of female employment throughout the Western and Continental Europe. Southern European countries imply the fastest growth figures, but especially when compared with the figures from the 1970s Continental Europe and United Kingdom are approaching the high Scandinavian figures (Table 4).

Table 4. Female Labour Force Participation Rate Among Total Female Population Aged 15–64 Years in Different European Welfare States, 1960–2007 (unweighted averages).

Year	1960	1974	1980	1990	2000	2007
Denmark	43.5	63.2	71.9*	77.6	75.9	76.4
Finland	65.6	65.5	69.4	73.4	72.1	73.9
Norway	50.1	50.0	62.2	70.7	76.5	76.5
Sweden	36.3	64.9	75.3	82.5	76.4	78.2
Nordic Countries (average)	48.9	60.9	69.7	76.1	75.3	76.3
Continental Europe	42.1	45.2	46.9*	53.0	61.7	66.7
Southern Europe	31.6	37.6	40.7*	47.1	53.2	59.2
United Kingdom	46.1	54.3	61.7*	67.3	68.9	69.8

Classification of countries

Continental Europe: Austria, Belgium, France, Germany, the Netherlands

Nordic Countries: Denmark, Finland, Norway, Sweden

Southern Europe: Greece, Italy, Portugal, Spain

* Figures for Denmark, Belgium and Greece are from year 1983; figure for United Kingdom is from year 1984.

Source: 1960–1974: OECD (1997) Historical Statistics 1960–1995 (p.41). 1980–2007: OECD Annual Labour Force Statistics. OECD.Stat. Statistics Database: Labour Force Statistics, LFS by Sex and Age - Indicators: <http://stats.oecd.org> (April 17, 2009).

In a comparative perspective, family schemes still stand out as most generous in terms of paid maternity/paternal leave which indicate that they were an important welfare priority even during a period of troublesome public finances and economic turbulence. Parental leave schemes, the most generous paid parental leave schemes in the world, were consolidated during the 1980s and the 1990s. In Denmark and Norway in particular, such programs were even grossly extended (for Norway, see Berven 2005). Family- and children-friendly policies have been a top priority and more protected against cuts and retrenchments than other social policies in recent periods of economic and public budget strain. Fertility rates have been fairly stable though not unaffected by size of previous generations as well as by the crisis itself (Table 5). Excluding Denmark, the Scandinavian child poverty rates still are the lowest in OECD countries (Ferrarini & Forssen 2005: 118-146). Nevertheless, low levels of income among single mothers remain as a policy challenge. Perhaps most important is that family programs have become more generous in terms of encouraging fathers/men to take a more active part in the upbringing of children. Thus, it seems reasonable to argue that the strength of such policies correlates with the massive inclusion of women in politics and public administration in Scandinavia. It is thus no coincidence that 'Scandinavian state feminism' has become a familiar notion almost all over the world. Pragmatic and operational lessons from the Scandinavian experience have recently been drawn by other nations, e.g. Germany in terms of family policies (Schiller and Kuhnle 2007).

Table 5. Total Fertility Rate (Average Number of Children Born to Women Aged 15–49 Years) in Different Types of European Welfare States, 1960–2005 (unweighted averages).

Year	1960	1970	1980	1990	2000	2005
Denmark	2.6	2.0	1.6	1.7	1.8	1.8
Finland	2.7	1.8	1.6	1.8	1.7	1.8
Norway	2.9	2.5	1.7	1.9	1.9	1.8
Sweden	2.2	1.9	1.7	2.1	1.5	1.8
Nordic Countries (average)	2.6	2.0	1.7	1.9	1.7	1.8
Continental Europe	2.7	2.3	1.7	1.6	1.6	1.6
Southern Europe	2.6	2.1	1.7	1.4	1.3	1.4
United Kingdom	2.7	1.8	1.9	1.8	1.6	1.8

Classification of countries

Continental Europe: Austria, Belgium, France, Germany, the Netherlands

Nordic Countries: Denmark, Finland, Norway, Sweden

Southern Europe: Greece, Italy, Portugal, Spain

Source: 1960–1990: Castles (1998: p. 265); 2000–2005: Eurostat Statistics Database, Population and Social Conditions, Population, Demography-National data, Fertility, Fertility Indicators: Total Fertility Rate 1960–2005.

<http://epp.eurostat.ec.europa.eu/portal/page/portal/population/data/database> (April 27, 2009).

A judgement of 'work- and family-friendliness' can also indicate the degree of 'business-friendly environment'. Our main thesis is that social security and business are not incompatible phenomena like fire and water: whether they are in harmony or conflict depend upon the concrete construction of the system of social security and its interplay with the society, and its cultural and political characteristics, in which it works. The primacy of work has always been central to Scandinavian welfare legislation, characteristic for these welfare states is the close relation between the institutions of welfare and work; the Scandinavian countries stand out as both 'strong work societies' and 'strong welfare states,' sometimes even labelled (Schumpeterian) 'workfare states' (Benner 1999/2000). Thus, an 'active labour market policy' and the 'work approach' have been cornerstones of welfare policy since World War II, especially in Norway and Sweden.

Notwithstanding the existence of an elaborated system of social security providing transfer payments of different types, from child benefits via sick pay to old age pensions, the dominant norm in Scandinavia – read the Lutheran work ethic – and other Western societies as well, has been that young and middle-aged adults – in recent decades increasingly including women – should be active on the labour markets to gain an income. Of course, severely disabled persons have been the exception to this norm (i.e. 'deserving poor'). Furthermore, the acceptance of this norm has been sustained and reinforced by the fact that not only money income, but also such social characteristics as power, prestige and status have been distributed in the community according to whether or not an individual works and by the type of work he/she performs. Following the social control mechanisms in fairly coherent communities such as the Scandinavian, where the distinction between state and society to a great extent has been blurred, 'disobedience' may most likely lead to a loss of reputation or even exclusion from the dominant social group, even if 'disobedience' is to the pure pecuniary advantage of the individual. This is an important aspect of the moral logic of the modern welfare state.

Nevertheless, an important arena for changes in the thinking and reforms of the Western and Nordic welfare states has been employment policies. Unemployment and worklessness has been firmly on the agenda, and even in Norway, with little experience of high unemployment rates, the issue of non-work has been given much political attention during the last two decades. The active labour market programs – since the early post-war decades the jewel of the crown in the Swedish and later also Nordic welfare model – were severely tested during the 1990s recession, when unemployment increased dramatically in particular in Sweden and Finland, where it even reached double-digit

levels (Table 6). Faced with the prospect of ‘growth without jobs,’ labour market training and activation programs were scaled up as unemployment rose. The increasing volume of such programs can only be interpreted as an expansion of previously established systems – ‘more of the same’ – although these programs often had to be expanded without a corresponding input of resources. During the 1990s, new ‘work-’ and ‘activity approaches’ emerged that tightened eligibility criteria and reduced periods and levels of support (Kildal 2001). For instance, all four countries have introduced stricter qualifying conditions for unemployment insurance. These central state employment programs were expanded to their limits, it is probably fair to say, and had to be supplemented by cash support from unemployment insurance as well as special programs for the least employable set up by local government (sometimes with central state support, sometimes without). Nevertheless, the activation measures survived although many observers consider that their quality has declined, even seriously (Kosonen 1998; cf., also Lindvret 2006). In an attempt to overcome such problems and simultaneously boost job creation in the private sector, in 2007 in Sweden the new non-social democratic government anew introduced lower replacement rates in unemployment insurance and simultaneously reduced state job creation measures. The most recent boom made this goal easy to achieve.

Table 6. Unemployed People as a Percentage of Civilian Labour Force in Different Types of European Welfare States, 1980–2007 (unweighted averages).

Year	1980	1990	1995	2000	2007
Denmark	6.9	8.4	7.1	4.6	4.0
Finland	4.7	3.2	15.4	9.8	6.9
Norway	1.7	5.3	4.9	3.4	2.5
Sweden	2.2	1.8	9.2	5.8	6.2
Nordic Countries (average)	3.9	4.7	9.2	6.0	4.9
Continental Europe	5.0	6.6	8.5	5.9	6.4
Southern Europe	7.5	9.9	13.0	10.0	7.7
United Kingdom	5.7	6.9	8.6	5.5	6.2

Classification of countries

Continental Europe: Austria, Belgium, France, Germany, the Netherlands

Nordic Countries: Denmark, Finland, Norway, Sweden

Southern Europe: Greece, Italy, Portugal, Spain

Source: OECD StatExtracts, Annual Labour Force Statistics, ALFS Summary Tables. <http://www.stats.oecd.org> (January 23, 2009).

In Scandinavia, labour force participation rates in the ‘modern sectors’ of the economy (thus, excluding agriculture and non-paid household work) have increased throughout the 20th century with the exception of parts of the 1930s and parts of the 1990s. These were decades of economic downswings or ‘crisis’ also in the far North of Europe, when the rate of unemployment grew and labour force participation went down (with the exception of Norway). Otherwise, labour force participation in paid work has gradually increased. In the post-World War II- period, with the exception of Denmark, the participation rate of men increased until the late 1970s, while women continued to enter the labour market until the early 1990s, and in Norway throughout the 1990s. In Scandinavia, ‘housewives’ have more or less disappeared as a social category truly reflecting its sheer numerical absence. Furthermore, the impact of the development of the system of education and the increasing emphasis on higher competence and skills has meant that the definition of working age adults had been adjusted upwards as most of those in the age group 16-24 have become students during recent decades. Thus, the age and gender composition of the labour force has been drastically transformed during the last siècle.

Parallel to the development of labour force participation throughout the last century, the systems of social security have been greatly expanded. Obviously, more and more generous schemes for maternity/paternity benefits and parental leave schemes during the 1980s and 1990s have been conducive to high female labour force participation in Scandinavia, as well as gradual development of child care services (but which is not special to Scandinavia). One factor explaining the development of these generous schemes, making Scandinavian countries at once both more ‘work-friendly’, ‘women-friendly’ and, in a sense, ‘family- and child-friendly’, is very likely the rapid political mobilization of women into politics: political parties, trade unions, and decision-making arenas like the parliament, government and public bureaucracy.

Finally a paragraph on the most recent, perhaps not so immigrant-friendly, developments in the universal welfare states of the Far North. Universal, fairly generous welfare states provide non-discriminatory social protection for all denizens except the paperless but are also vulnerable to sudden changes in international migration, in particular large-scale immigration in times of joblessness and falling tax revenue. After World War II, the Nordic countries, with the partial exception of Finland have been fairly open to newcomers in terms of immigration rules and social rights. Inter-Nordic cooperation and membership in the European Union have contributed to the increasing demographic heterogeneity in the individual Scandinavian nation-states. The gradual disappearance of the demographically homogeneous Far North has caused some concern among

policy makers as well as the population at large. The increasing numbers of newcomers from afar has led to a growing awareness of "otherness". Labour market integration has tended to take longer and is no longer in the hands of employers and unions; nowadays it is a government-regulated special program at the point of entry and, thus, more of a "burden on the public sector". In recent decades of globalization migration policy has definitely become a highly sensitive political issue. In an attempt to come to terms with increasingly heterogeneous demographic developments, a multicultural social inclusion policy was actively pursued. However, this gave rise on the one hand to a critique of excessive assimilation by the dominant organizations of homogenous civil societies, including local governments, as not being aware of their discriminatory discourses and practices, and on the other to a fairly widespread popular reaction against officialdom's too lenient approach to the not yet gainfully employed newcomers. A key issue in this dispute has been language training, with a growing insistence on formal knowledge of the local languages. New social programs were tested in the aftermath of the great influx during the 1990s, followed by the newcomers from the wars in Afghanistan and Iraq, but various forms of government intervention have continued to be criticised from every section of the political spectrum. Some metropolitan suburbs, mostly a product of gigantic housing programs in the heydays of welfare capitalism, have become, or at least in the public discourse seen as, cosmopolitan centres of a hundred nationalities where cultures and countercultures meet and compete, not to mention various manifestations of global youth cultures and religious congregations, such as Roman Catholics and various brands of Muslim belief, previously almost unknown in homogenous Scandinavia. New, fairly successful right-wing populist political parties, openly critical of immigrants and associated financial burden have emerged in particular in Denmark and Norway, and the traditional parties have not been slow to react and adapt to the new situation. At least since the late 1990s they have become increasingly involved in mainstream policy-making at the national as well as the local level. Here to, Finland has been a partial exception as immigration there has always been restricted in the post-war decades. In Sweden and, to a lesser extent, in Norway openness has largely been maintained to date. In sharp contrast, the contemporary Danish welfare state has not only tried to impose heavy restrictions on immigration, above all as a way of preserving Danish welfare universalism, but also introduced a number of benefit measures that apply differently to native-born Danes and to more recent immigrants from the world outside the European Union (Goul Andersen 2007). Thus, a certain type of welfare state "chauvinism" or exclusiveness is not entirely absent in otherwise universalist Scandinavia, and will most likely haunt the model welfare state.

The Scandinavian experience during the last two decades shows that high and increasing labour market participation can co-exist with the expansion and consolidation of social security systems. 'High and sustainable' full employment – expanded from male breadwinners to female ditto – became the public policy norm of Keynesian demand management. Expansion in the latter case meant upgrading in terms of pecuniary generosity and population coverage in all or most branches of social insurance. At the macro-level, this holds true even for such a social security sub-system as unemployment insurance, despite social science theories that emphasise the opposite effect at the micro-level that the system offers incentives for individuals to withdraw from the labour market. Unemployment was not allowed anymore to be a private matter, but became a public concern. Thus, the labour market has developed into a key aspect of the monetised economy, while social security systems have become core institutions of the modern welfare state. Macro-economic steering became part of societal governance, but much more than that was at stake. In Scandinavia, systemic integration has gone hand in hand with social integration. Thus, at the micro-level the implication and risk for the individual of being out of work is marginalisation and social exclusion. At the macro-level, the government responsibility to create conditions under which enterprises can flourish has become linked to the general duty of every able-bodied person to work or achieve an education, schooling or practise in order to enter into gainful employment. In sum, other values than those implicit in the rationality of the pure economic man have for long been in force.

Social Expenditure: Growth to Limits and Beyond

Since the 1990s, many systemic changes have been made in the Nordic countries as part of more general and wider reconsideration of the welfare state. Most well-known are perhaps changes in the pension systems with the introduction of an element of private savings and speculation. Another feature of the new approach is a closer link between contributions and payments. Moreover, the pension systems have been thoroughly adapted to both demographic and economic developments (Hort 2004). In Sweden, however, the major pension reforms were preceded in 1990 by an internationally noted tax reform, involving a wider tax base and lower marginal tax rates. Still, the tax level remained high and in a mid-term perspective, the financing of the welfare systems was put on firmer ground (Hajighasemi 2004).

The increase in the number and share of the old people can, however, become a growing problem to the welfare expenditure. As Table 7 points out the share of the old people in the Nordic countries

has reached the European level especially during the last two decades. Later on, we will see whether the Nordic countries are able to answer the challenge arising from the exit of the post-war baby-boomers from the labour force.

Table 7. Population Aged 65 and More as a Proportion of the Total Population in Different Types of European Welfare States, 1961–2006 (unweighted averages).

Year	1961	1970	1980	1990	1997	2006
Denmark	10.8	12.3	14.4	15.6	15.0	15.3
Finland	7.4	9.1	12.0	13.4	14.6	16.3
Norway	11.1	12.9	14.8	16.3	15.7	14.7
Sweden	11.9	13.7	16.3	17.8	17.4	17.3
Nordic Countries (average)	10.3	12.1	14.4	15.8	15.7	15.9
Continental Europe	11.3	12.8	13.4	14.4	15.2	16.9
Southern Europe	8.4	9.9	12.1	14.0	15.6*	18.0
United Kingdom	11.7	12.8	15.1	15.7	15.2	16.0

Classification of countries

Continental Europe: Austria, Belgium, France, Germany, the Netherlands

Nordic Countries: Denmark, Finland, Norway, Sweden

Southern Europe: Greece, Italy, Portugal, Spain

* Figure for Greece is from year 1996.

Source: OECD (1974) StatExtracts, Labour Force Statistics 1961–1972 (pp. 128–369); OECD (1998) Labour Force Statistics 1977–1997 (pp. 177–467); OECD (2008) OECD in Figures 2008, Demography: <http://www.stats.oecd.org> (February 16, 2009); OECD.Stat Labour Statistics, Annual Labour Force Statistics, ALFS Summary Tables, Population and Labour Force: <http://www.stats.oecd.org> (April 16, 2009).

Furthermore, the role of local government in welfare financing and delivery has increased significantly. In Scandinavia, almost all health and social care services are nowadays tax-financed and in most cases also provided by public authorities. Overall public expenditure on health as a percentage of GDP has remained fairly stable since 1990 in Denmark, Norway and Sweden, but has been cut back marginally in Finland. The large public (health) sector is still a core feature of the Scandinavian model. This decentralisation of welfare provision was a basic idea behind the expansion of the welfare state in an attempt to transform local government from a provider of poor relief to a multiple public service provider (Kuhnle 1980; Olsson 1990). In this process, the crucial role of local government in the organization of the overall welfare state became institutionalised. In the early postwar decades, the central state encouraged a tremendous expansion of social care

services through targeted grants to the municipalities on top of their constitutional right to independently tax their inhabitants. Hence, the power of local government in state and society grew gradually but steadily before the crisis of the 1990s. Nevertheless, the central state has continued to intervene in the affairs of local authorities – for example with a budgetary or local taxation ceiling – and, on and off, opened up for more private initiatives also in welfare delivery, including increased choice on behalf of service consumers ('privatisation'). In recent decades, moreover, non-profit private providers – voluntary both secular and religious welfare organizations in civil or civic society – have become more active and visible in the Nordic countries. Still, the financing of such services has predominantly remained public.

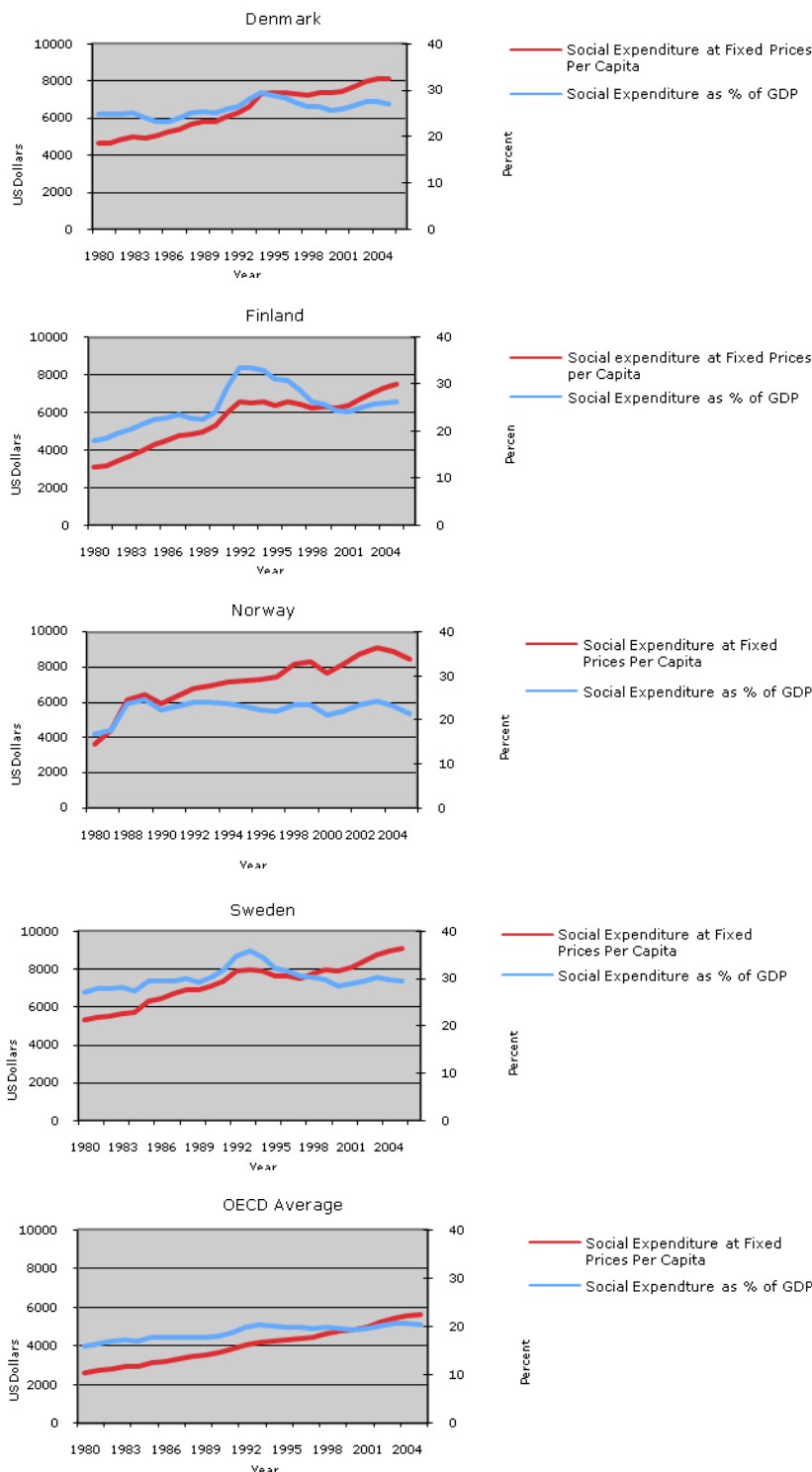
Another systemic change in recent decades is, however, an increased use of national rights-legislation – without central state funding – whereby the municipalities or county councils have to take on the role as financiers without targeted grants, an increase in the general block grant, or new financial instruments (taxation or borrowing). Instead, the central state has tried to put a cap on municipal spending and thereby force local government to re-prioritise within existing welfare provision. Local governments have not been slow to respond. Thus, in recent decades in the Nordic countries this has opened up for increased negotiations and even formal contracts between central and local public authorities (Hort 2005a). In a comparative perspective these 'public-public partnerships' can be interpreted as a result of the growth of the Nordic welfare model. Central and local governments are not equal partners in a constitutional sense but fairly equal in many circumstances, in particular when local authorities join forces and set up their own joint agencies to negotiate with central state authorities. These partnerships may be somewhat awkward for foreign observers who are otherwise in favour of 'PPPs' when they extend into the private domain. In the Nordic context, of course, private partners have also been more involved in the public-private welfare mix but here it is the growths of 'PPPPs' – public-private-public partnerships – that stands out as the Far North of Europe's particular contemporary phenomenon.

Universal social insurance programs have been curtailed to some extent by cutting benefit and tightening qualifications (Eitheim & Kuhnle 2000; Kautto et al 1999). For instance, since the early 1990s the most frequently and extensively restructured program in the Swedish social security system is the sickness cash benefit scheme. In Norway stricter medical criteria for disability pension was introduced in 1993. Qualifying conditions for sickness insurance benefits were tightened in Finland and Sweden. Social security and welfare 'reforms' – e.g. cuts in benefit levels as well as organizational changes – were made during the 1990s in Scandinavian countries, mostly in such a

politically consensual way that new poverty and increased income inequality was avoided (Eitheim and Kuhnle 2000). Finland was the only OECD-country in which the recession of the 1980s or 1990s was deeper than the Great Depression in the 1930s (Uusitalo 2000). But a fundamental difference from the 1930s is that an advanced welfare state was in place when the crisis hit. The dramatic social and political repercussions of the 1930s were avoided (repercussions which were moderate in Scandinavia compared to the rest of Europe anyway, thanks to other factors such as crucial social-political pacts between agrarian and industrial interests, and labour and employers). Of course, the existence of an advanced welfare state at the time of a sudden, unexpected, and mostly exogenously-imposed economic shock is not a sufficient condition for neither subsequent successful welfare reform efforts nor rapid economic recovery. But the Finnish example proves that such a sequence of development is possible, and that a solid welfare state was by no means a disadvantage for the process of recovery and promoting renewed economic growth. Recent European/Scandinavian developments propose that characteristics of social policies and of links between the state and major economic groups in society at critical junctures of economic, social or political crisis appear to be of importance for the way out of the crisis. Another lesson of the Swedish and Finnish experience of the last decade is that democratic systems and institutions *can* adapt to new or unexpected challenges. It does matter what institutions are in place when a sudden, unexpected crisis in society occurs.

By degrees, the Nordic governments reacted to the major imbalance between public revenue and outlay by restricting the expenditure growth and cutting some benefits. After a peak time of social expenditure in the early nineties, public social expenditure as a percentage of GDP had receded back to 1990-levels in the early 2000s (see, Figure 2). Finland and Sweden were the countries with the highest increases in expenditure in the early nineties with expenditure increasing in Finland from 25 to almost 35 % of GDP and in Sweden from about 31 to 37 % of GDP. Today, all of the four Nordic countries maintain comparatively high levels of social expenditure, with Denmark and Sweden at about 30 % and Norway and Finland at about 25 % of GDP.

Figure 2. Social Expenditure at Fixed Prices per Capita (US Dollars, Constant Prices) and Social Expenditure as a Percentage of Gross Domestic Product in the Nordic Countries, 1980–2005.



Source: OECD. Social and Welfare Statistics, Social Protection, Social Expenditure: <http://stats.oecd.org> (April 18, 2009).

Figure 2 teaches us not to rely on a single indicator in any analysis of social expenditure. On the basis of the GDP proportions of social expenditure we might easily open a discussion on the Nordic countries reaching the limits of growth. From the early 1990s onwards the development of social

expenditure has been far from a steady growth pattern. Instead, a non-growth and yearly fluctuating patterns exist. But if we look at the figures describing the real growth of social expenditure, we reach a picture of almost a steady growth.

The picture becomes more complicated if recent developments in the public employment are taken into consideration. Above, the description of the golden age of the Nordic welfare state implied a growing public sector (see page). During the 1990s and 2000s the share of government employment on the total employment has stayed at a high level but it has not grown any more. On the other hand, especially in the comparison with the Continental and Southern European welfare states data indicates a high trust on public services and authorities.

Table 8. Government Employment as a Percentage of Total Employment in Different Types of European Welfare States, 1970–2005 (unweighted averages).

	1970	1980	1995	2000	2005
Denmark	16.8	28.3	34.2*	-	-
Finland	11.8	17.8	21.0	21.0	21.3
Norway	16.4	21.9	-	28.5	28.8
Sweden	20.6	30.7	29.8	29.6	28.3
Nordic Countries (average)	16.4	24.7	28.3	26.4	26.1
Continental Europe	12.9	16.4	13.9*	15.9*	14.6
Southern Europe	10.3*	12.4*	12.3*	12.9*	13.2*
United Kingdom	18.0	21.2	20*	-	-

Source: 1970-1980: OECD 1983, 98; 1987a, 38; 1995-2005: OECD Statistics on Public Employment derived from CEPD (see Pilichowski E. and E. Turkisch (2008), "Employment in Government in the Perspective of the Production Costs of Goods and Services in the Public Domain", OECD Working Papers on Public Governance, No. 8, OECD Publishing).

Classification of countries

Continental Europe: Austria, Belgium, France, Germany, the Netherlands

Nordic Countries: Denmark, Finland, Norway, Sweden

Southern Europe: Greece, Italy, Portugal, Spain

* Figures for Greece are missing for all years; Source for Denmark 1995: OECD National Accounts. 1984-1996. Volume II.; Figures for France 1995 and for Germany 1995, 2000 are missing; Figures for Italy 1995, 2000, 2005 are missing; Source for UK 1995: OECD National Accounts. 1984-1996. Volume II, - missing values for UK 2000, 2005.

The struggle to regain control of public finances led to more radical policy changes in Finland than in Sweden. Still, severe cutbacks in some Finnish schemes were followed by policy innovations to secure basic livelihood. Programs were launched for long term unemployed and young people with no or little job experience. In Sweden, in-fighting over the various parties' separate welfare programs rendered the 1991-94 non-socialist coalition cabinet incapable of tackling a growing budget deficit without the support of social democrats. In late 1992, when Sweden faced a major currency crisis, a major accord was settled between government and opposition. On its own, the rather inexperienced government was unable to tackle fiscal imbalances. Meanwhile, the social democrats, in contrast to previous post-war campaigns, promised comprehensive austerity measures, such as decreased benefits, as part of their program for the successful 1994 election. The program also included minor tax increases for the most wealthy, which attracted support from the rural middle-of-the-road Centre party that rapidly went from supporting a right- to a left-leaning government. Hence, the welfare state was slimmed down but not squeezed, though during the crisis in the first half of the 1990s it was widely thought in some quarters that in order to eliminate the large budget deficits, the welfare state would have to be abolished (Nordlund 2005). As it turned out, the crisis was only temporary and to date the economic revival has generated a public financial surplus and a considerable reduction of public social expenditure as a share of GDP (Figure 2). With another crisis at the doorsteps, there is still considerable leeway for welfare state action in Scandinavia. Among many assessments made of welfare political developments during the last decade, the Scandinavian countries are still seen to be distinct and not to have moved towards convergence with a 'neo-liberal' model of social protection. In Table 9 United Kingdom presents a model of a neo-liberal state. The figures for the level of income inequality and for poverty clearly show how big the difference between the Nordic and the neo-liberal model is. The difference between the Nordic countries and the Continental Europe is much less.

Denmark and Sweden have the lowest income inequality figures among the OECD (30) countries. Finland is at the 7th place and Norway at the 11th place. Table 9 also shows that in Finland and in Norway there has at the end of the 1990s and in the early 2000s been a significant increase in income inequality. In both countries this is connected with the fast economic growth period during which especially the top quintile of income receivers were gainers (OECD 2008, 31, 51). Information on the poverty rates strengthens the picture of high equality among the Nordic people.

Table 9. Level of Income Inequality in the Mid-2000's, Trend of Income Inequality From Mid-1980's to Mid-2000's and Poverty Rate in the Mid-2000's in Different Types of European Welfare States (unweighted averages).

	Level of income inequality	Trend of income inequality		Poverty rate
	Gini coefficient in the mid-2000's (OECD)	Trend in gini coefficient		Poverty rate 50% median in the mid-2000's (LIS.)
		Mid 1980's to mid-1990's (LIS.)	Mid 1990's to mid-2000's (LIS.)	
		Percentage point change		
Denmark	0.23	-0.6	1.1	6
Finland	0.27	2.1	4.1	7
Norway	0.28	2.2	2.0	6
Sweden	0.23	1.4	2.3	7
Nordic Countries (average)	0.25	1.3	2.4	6.5
Continental Europe	2.78	0.5	0.4	7.4
Southern Europe	0.35	1.0	0.4	13.7
United Kingdom	0.34	2.9	-1.9	12.0
Average OECD	0.31*	1.7**	0.1**	-

Source: OECD 2008: 51, 53, 154.

Classification of countries

Continental Europe: Austria, Belgium, France, Germany, the Netherlands

Nordic Countries: Denmark, Finland, Norway, Sweden

Southern Europe: Greece, Italy, Portugal, Spain

* OECD 30 members; ** OECD 24 members; - Missing value

One important lesson to be learnt from the Scandinavian (and also European experience) is the simple one that the welfare state does and may serve many functions. Debates on what are proper lessons to be learnt and what are proper welfare policy solutions in other, non-European, contexts can thus be framed in many ways. Social protection and welfare are topics often discussed in terms of poverty relief and meeting minimum needs for income and services. Poverty reduction was

historically one aim for many governments putting social legislation on the agenda. But the establishment of European welfare states is about much more, especially in their Scandinavian and Continental European variants. Originally, considerations of social harmony and regime support were important. Over time, many programs were developed to insure against events and risks, which cause income loss, to enable reallocation of income over the life-cycle and redistribution across social groups, and to provide a sense of security for all citizens (Atkinson 1999: 5-6). Although a controlled experiment is impossible, we dare claim that the welfare state in the Scandinavian/ West European context appears to have been a societal ‘stabilizer’, which has prevented serious social rebellion, strong revolutionary movements, and extensive poverty. The combination of structures of democratic governance, regulated capitalist market economies, and relatively comprehensive welfare institutions have rather successfully accommodated changing social needs and political desires.

In summary, the Scandinavian welfare model during the last two decades, while having been put on some severe tests in the early nineties, particularly in Finland and Sweden, has been able to revitalize and maintain its core elements of universality and societal and economic stratification. We refute perceptions that see the end of the Scandinavian welfare state having looked at institutions and outcomes from a macro-perspective with the goal of showing broad policy developments. Using selected data, we have illustrated where changes in the Scandinavian welfare model have occurred and will at the end of this chapter draw some tentative conclusions as to the regional influence on globalization and regional European integration by the Scandinavian welfare model.

6. CHALLENGES AND LESSONS

Our analysis in this article implies that the rise of the Scandinavian welfare state was made possible by certain particular historical preconditions. It also indicates that the Scandinavian welfare state has been able to survive even exposed to very strong pressures from outside. Whether this story is too good to be true, only History can tell.

A summary of findings from a comparative Nordic effort has to acknowledge some of the most obvious consequences of the changing conditions for the Nordic welfare state. International migration and demographic change, globalization and European integration, more open economies,

changes in the class structure and some ideological and political currents have had a visible impact on the master dimensions of the Nordic welfare state. Although the state is still the main financier of welfare services, extensive stateness is giving way to more private endeavors and competition within and outside the public sector. This holds especially true at the local level. Furthermore, although universalism has continued to be the backbone of the Scandinavian welfare state in the last two decades there has, for instance, been a very visible shift towards a more income-related benefit system. Inequality has tended to increase and especially those at the top of the income scale have succeeded in getting a greater share.

At the same time, what has come to be known as the ‘Scandinavian’ or ‘Nordic model (of welfare)’ has attracted growing attention in international mass media and, intergovernmental organizations – although hardly with enthusiastic blessing from any of them, but more so in the social policy literature. Important elements of this model are comprehensive governmental welfare provision; the scale of welfare employment (broadly speaking); public employment relative to total employment; redistribution; financing mainly from fiscal revenues; family policies and a gender perspective that encourages women to participate in the labour market; an active labour market policy; high legitimacy of state/public welfare provision; and universal, citizenship-based social rights.

While the Nordic welfare states differ in many respects, they can be said to be sufficiently similar on a number of counts to make them a distinct category or ‘family’ of welfare states in the world. Notwithstanding the assumed threat of globalization, however, there is a very visible present danger of de-globalization. In particular, the global financial meltdown of 2008 has raised widespread concern about increasing isolationism and protectionism throughout the world. New conditions may impair the openness of the Nordic economies. International migration may become much more controversial, and the European Union is actively restricting the entrance of people from outside its member-states. Domestically, moreover, a growing reaction to the loss of demographic homogeneity may partially undermine the welfare state’s broad-based political legitimacy. However, despite some intermittent economic downturns,⁴ the Nordic countries have managed to combine high taxes, low social and economic inequality and comprehensive welfare systems with ‘satisfactory’ (even very satisfactory) economic growth viewed in a long-term perspective. Crucial for this apparent success story have been the ability and capacity to reform and adjust the welfare state to demographic and economic challenges and to retain dynamism and innovativeness in the

⁴ In particular Finland and Sweden in the early 1990s.

economy. Comprehensive public welfare commitment has demonstrably gone hand in hand with satisfactory economic and social development, and stable political development, in times of increased exposure to the global culture, economy and polity.

As such, the group of Nordic welfare states is or may be considered a political construction that makes up a 'Nordic model of welfare' for other countries to look to and possibly learn from – as successful open economies combined with comprehensive welfare states in the era of increased globalization. From themselves historically drawing inspiration from an international model for social insurance they have become an international model in their own right.

When summarizing results from Scandinavian studies that compare the Nordic countries to the rest of Europe it has been pointed out that some of the analyses of the Scandinavian scholars undoubtedly have a 'Scandocentric' bias. There seems to be a Nordic miracle where the chains created by the market economy have been broken. Sometimes this is followed by a Protestant bias especially in questions concerning families and family policies. Sometimes the 'Nordic model' is seen as a terminal point of development and as a model for other European countries, the World's Scandinavia. The analysis above, however, implies that the Nordic way cannot be considered as a common European model. Simply, other European countries cannot repeat its preconditions and their subsequent outcomes. The systems based on much wider cultural heterogeneity and on multinational and federal structures are not likely to produce universal and state-centered welfare policies (Alestalo & Flora 1994: 60-62). That is not to deny the impact of diffusion and political learning at the level of single programs and schemes. The recent (2007) radically extended German policy on *Elterngeld* is openly inspired by the Swedish or Scandinavian 'model'. The impact of models is not a one-way street, from big to small nations. Also other European countries have in recent years taken some lessons from the Nordic experience, in particular in the fields of active labour market policies and family policies making it easier to reconcile family and work. These lessons have, also, been disseminated through the OECD and the EU (Oinonen 2008: 174-185).

State capacity and 'political preparedness' are variables that are relevant also today when studying the potential for and actual social policy development in other parts of the world and in middle- and low income countries. But another variable, which perhaps was 'under control' historically in Europe but not in a global context today is the 'cultural preparedness' or the normative basis for importing ideas and models from outside. Copenhagen, Oslo, Helsinki and Stockholm were culturally much closer to Prussian Berlin than Seoul, Beijing, Cairo and Pretoria are to the Nordic

capitals today. Even if the Nordic model has performed well economically and politically – according to certain defined values, standards and measures, which can be discussed – one may ask whether it rests on certain normative pillars that are not present beyond Europe. In what way or sense is or can the Nordic model of welfare be a relevant example in areas culturally far from the Nordic and European cultural and normative context?

To answer this question is a tall order (cf. Fargion 2008). When Harold Wilensky (1975) pioneered comparative welfare state research some fifty years ago, his sample from 1966 consisted of 64 countries at a time when the United Nations had 119 member-states. However, his analysis focused on the 22 most developed welfare states (see also Wilensky, 2002). And so it has been, until recently. Wilensky's sample included the core West European countries, Israel, Canada and the US in North America, three East European countries (Czechoslovakia, Poland and Hungary), Australia and New Zealand in the Pacific. Japan was number 23 on the list. Thus, this was the geography of advanced welfare states on the globe – minus Japan. In analytical terms, Wilensky made a distinction between four types of welfare states: liberal democratic, totalitarian, authoritarian oligarchic, and authoritarian populist. In 1990, when Gösta Esping-Andersen published *The Three Worlds of Welfare Capitalism*, a work that in many ways popularized and summarized the research that had followed in the tracks of Wilensky, his sample had shrunk to 18 countries: Japan was included, Israel was gone and, most important, East European countries had disappeared. The three 'worlds' made up the combined Northern world of advanced capitalism and liberal democracy. Thus, democracy, or state- and nation-building more generally, had become a key indicator in the selection of research objects although also the decline in social development should not be forgotten. Nevertheless, it is probably too early to forget the various forms of authoritarian welfare states that hitherto have existed. Even in Northern Europe, for instance contemporary Belarus comes to mind.

Since the early 1990s, the geography of comparative welfare state research has changed dramatically. Hence, globalization, and in particular global democratization, 'democratic warming', has left its stamp on social research in this field of inquiry. Outside the old core, it is in particular three zones that have come into the fore: the new Europe, East and Southeast Asia and (parts of) Latin America.

With the enlargement of the European Union, already from the second half of the 1980s the old dictatorships of Southern Europe were brought into the limelight: Greece, Portugal and Spain

became part of a 'Southern model' (Ferrera, 1996, cf also Guillén & Matsaganis 2000). However, it was only with the demise of the Soviet empire and the transformation of the previously planned economies that the welfare states of Central and Eastern Europe returned into focus (Deacon 2000; cf., also Grigoryeva et al. 2002). Again, it was the countries that Wilensky once had singled out which were taken into consideration by in particular continental welfare state research: the Visegrad countries of the Czech Republic, Hungary, Poland and Slovakia – and Slovenia from the former Yugoslavia, a country in socio-economic terms at the level of Greece (Hort 2005b). Later on, as the EU enlargement process continued, also other parts of Eastern Europe including the new Baltic states from the former Soviet Union and their systems of social protection became part and parcel of the research agenda (Aidukaite, 2009). When ten new member-states entered the European Union on 1 May 2004 (and two more were added in 2007), a new 'Social Europe' also was born.

Another case in point is East and Southeast Asia. From the early 1980s when Japan was 'upgraded' by the OECD (1981) as a "welfare society" against the old-fashioned welfare states of the West, not only this country but also the four small tigers of Hong Kong, Korea, Singapore and Taiwan gradually became part of comparative social research. However, only with the coming of the 'East Asian Miracle' did growth with or without welfare become a bone of contention (cf. Alber & Standing 2000). Did the rapidly developing countries and territories of the new East follow the glacial river of time or did they go against the neo-liberal wave? In an overview ten years back in time, the answer given was that state involvement in the field of welfare was introduced at an earlier stage in the process of modernization as compared to the old welfare states, and that the expansion of welfare institutions closely followed rapid economic growth in the period up to the Asian financial crisis of 1997-98. Furthermore, no decline of social policy efforts or a dismantling of the – still relatively small – welfare state was particularly visible in the years following that crisis (Hort and Kuhnle, 2000/2008).

A third area is Latin America. Apart from Scandinavia, according to a recent North American overview of comparative welfare state research, what once was a backyard of the American empire today perhaps figures more preeminently than any other part of the world including both Central and Eastern Europe and East and Southeast Asia (Huber and Stephens, 2005; cf., also Gough et al 2005). There too, it is the dramatic impact of economic and political transformation on the system of social protection system that comes to the fore (Godinho Delgado & Vasconcelos Porto 2007; cf also Barrientos 2004; Borzutzky 2002; Kay 2000).

In all three parts of the old but new globe certain questions will be more prominent than others. Pensions are cases in point that have frequently been on the agenda where the Swedish pension reform of the 1990s has often been referred to as a 'model'. These are gendered issues that so far need to be further scrutinized. Furthermore, gender, child and family policy in a broad sense is of course another issue of crucial importance in most parts of the world (Kravchenko 2008; cf. also Therborn, 2004). In many aspects of equal importance but less researched is the emergence of unemployment insurance, employment policy and labour protection in general. In particular in East and Southeast Asia as well as in the new Central and Eastern Europe there were never any unemployment insurance systems, and so far developments have been slow but as a source of inspiration for present or future reform the 'Scandinavian model' has often been alluded to.

In toto, 27 new and old countries in Europe belong to the European Union and all of them will sooner rather than later be counted as welfare states. Croatia, Turkey and the rest of South Eastern Europe are other welfare state applicants (Hort 2008). Together with what remains of the old core (being outside the EU - Iceland, Norway, Switzerland, Australia, New Zealand, Canada, and the US), roughly a handful new welfare states in East and Southeast Asia and another five to ten Latin American welfare states will altogether make up almost as many cases as were included in Wilensky's original full sample. This is the new 'social globe' where people live their lives and try to influence the way their lives are arranged and re-arranged through pre-existing or emerging organizations and institutions. Whether the inspiration will come from a 'Nordic Model' or 'Social Europe' more generally remains to be seen but to excavate the normative issues of the future should not be forgotten in empirical social research. These are areas in space and time where social scientists will have to explore the intricate relationships between work and welfare, tax policy and pension programs, the regulation of markets, political and social mobilization, welfare institution-building, etc. Whether another 140 cases are in the pipeline, in a real world of 192 member-states of the United Nations, is too early to tell. In any case, in the present decade there has been a great deal of interest in the 'Nordic Model' from Seoul and Taipei to Pretoria and Buenos Aires, not to forget the Economist's "before financial meltdown crisis" denunciation of its current success.

To conclude: from being inspired from outside, in various ways affected by the historically first international model of social insurance for their own beginning welfare state development, characteristics of the 'Nordic model of welfare' may today be exportable to other parts of the world, culturally close or distant. The historical and long-term perspective on the Nordic welfare states

may inform both our empirical and theoretical understanding of the role of international models for the making of national social security systems.

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