

Norway, independence, social democracy and Scotland's referendum

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The Nordic model of social democracy and its origins

We will talk today about a small country, located by the North Atlantic shores, egalitarian in outlook, rich in resources, and fighting throughout its history to detach itself from a neighbouring country's imperial urge. The country we will discuss could have been Scotland but it is Norway.

Norwegian independence in 1905 marked the end of a brief century of devolved government under Sweden. The constitution, dating from 1814, when Danish supremacy was replaced by the more detached Swedish rule, gave Norway its own parliament and extended the suffrage to a large proportion of the population. Nobility was abolished few years later, and the Swedish-Norwegian union that prevailed over the following nine decades had limited bearing on the domestic matters of the state. The situation for Norway was in many ways similar to a devolved government. Overarching the domestic politics of the semi-autonomous nation was a monarchical union, whereby foreign and monetary policy were reserved to the union government, centred in Stockholm and led by the monarch.

What is particularly interesting with the Norwegian path towards independence is the parallel growth of nationalism and democratisation from a centre-left footing that occurred over the last few decades of the nineteenth century. Nationalism in Norway emerged and developed tremendously in the course of the 1800s. It was largely conceptualised in egalitarian and democratic terms and spearheaded by an alliance of rural popular movements and urban intellectuals, a multifaceted movement that

formed the basis for the Liberal Party. The fight for independence from Sweden was closely entangled with the introduction of parliamentary governance in the 1880s – as well as with the broader process of democratisation.

A mild form of patriotism was a prerequisite also for the labour movement, even though the Liberal Party was the essential champion of the case for independence. Patriotism however never implied that the social democratic movement was purely nationally oriented. On the contrary, cross-national solidarity on behalf of the working class was a primordial cause in Labour Party programmes throughout the 1910s and 1920s and class cleavages remained deep. The first Labour Party government in Norway appeared in 1928, following a process that echoed British Labour's brief spell in government under Ramsay MacDonald in 1924. In 1935, the party was back in office following the crisis agreement with the Centre Party and pursuing a vigorous counter-cyclical policy to get the economy back on its feet following the Depression.

Not until 1945 did Labour appear with a governing majority on its own. It is from this time onwards that European observers tend to look for Scandinavian exceptionalism, established by social democratic governing parties carefully constructing extensive welfare states on the basis of an enthusiastically egalitarian and homogeneous population.

My talk today will look closer at some of these assumed prerequisites of what we will call the Nordic model of social democracy. The argument I will raise is that there *is* some truth in historical and cultural traits that are conducive to the model, developed first and foremost through strong and collective institutions. But there is also a tendency to read history backwards from today and to assume that a unitary, egalitarian and harmonious state was the natural end product of nation building in Scandinavia, that these qualities are so unique that they cannot in any way be exported. We will challenge that view, and in doing so we will look across the North Sea to Scotland.

The myth of homogeneity

A common narrative of the history of the Nordic model implicitly takes the view that its root causes and driving force are found in the *longue durée* of the national histories of the individual Scandinavian countries: The historic framework for the development of the Nordic welfare state has been the ethnically and culturally homogenous nation state. With the exception of a German minority in the southern parts of Denmark and

the Finn- and Sámi people of northern Norway and Sweden, what remained after the Treaty of Kiel in 1814 was three more or less culturally homogenous states with clearly defined political borders, strong loyalty to the institutions of the state, common religious practices, common written languages and a high degree of literacy in the general population. The strong social cohesion was fostered even further by the virtual absence of serfdom and severe limitations put on the political powers of the nobility.

However - this long view of the development of a Nordic model tends to overlook the graveness of the social conflicts that developed in Scandinavia in the late 19th and early 20th century. Furthermore, it also works to obscure that the solutions to these conflicts were found in conscious and effective policies enacted by Scandinavian social democrats. The compromises of the 1930s followed a decade characterised by tough confrontation between organised labour and employers. Sweden and Norway in particular were heavily affected by social conflict bordering on violence. The labour-market resolutions of the 1930s were thus a form of institutionalised ceasefire between deep-seated political opponents.¹

With the labour movement fully integrated around the negotiating table as well as in parliamentary politics, both the political system and social cohesion were given a safer footing. The welfare state expansion that followed represented a considerable leap in ambition, but in this domain there was no year zero. Liberals had entered the domain of welfare reform in the first three decades of the 1900s. The political vision they represented were primarily one of containment in pursuit of cross-class appeal and a dilution of the labour movement. Yet several of the reforms introduced by Liberal governments contributed to the foundation of the later welfare state. Scandinavian Liberals were inspired by ideological tendencies similar to New Liberalism in Britain and implemented under H.H. Asquith and Lloyd George.

What followed when the social democrats built further on these reforms showed the capacity of the small Scandinavian democracies to overcome structural conflict pitting one class against the other. At a time where democracies across Europe were under threat by Fascism, in Norway, Sweden and Denmark the context was one of political consolidation and emerging consensus around a set of policies amounting to a Scandinavian New Deal.

¹ For a broader backdrop to this analysis, consult for example ch. 2 in Walter Korpi: *The Democratic Class Struggle*. London: Routledge, 1983.

This agreement on terms has provided a fixed framework for the economic policies of different governments over time. To business, it has meant a stable relationship with the state, for example in relation to subsidies and public ownership, as well as predictability in its relationship with the trade unions.² In a way, the model has ensured just enough consensus for political and partisan conflict to operate constructively. A consistently high electoral turnout shows that politics *is* seen to matter in all three Scandinavian countries. Yet conflict has operated within an agreed playing field, meaning that a change of government entails ideological adjustment rather than demolishing the politics of the predecessor.

The Nordic model of social democracy rests on three essential pillars when it comes to economic policy: tripartite *concertation*³ (rather than confrontation) between state, employers and trade unions, a *comprehensive welfare state* and an *activist industrial policy* construed to sustain a skilled labour force and a favourable fiscal environment. What this permits is a combination of security at home and competition abroad. Openness means opportunities, but also exposure to the fluctuations of the global economy. These risks have therefore been mitigated by welfare arrangements which ensure that aid is provided when work is lost or changes hands. The Nordic model thus represents a rare integration of liberty and security, aimed to be beneficial all classes rather than merely redistributive towards the poor.

Trade unions and social partners

In order to get a closer understanding of the Nordic model, the role of the trade unions is an appropriate place to start. Across Europe, the significance of trade unions for social democratic parties varies enormously. The general pattern shows that Northern Europe has the tightest form of cooperation. The trade union movements of the Scandinavian countries have moreover been characterised by higher participation than anywhere else in Europe. Organising a large share of the workforce provides, first and foremost, for effective coordination. Centralised negotiation does not render justice to every particular preference. But once a settlement is agreed it has widespread and

² Cf. Lars Mjøset et al.: «Norway: Changing the model», pp. 55-76 in Perry Anderson and Patrick Camiller (eds.): *Mapping the West European Left*. London: Verso, 1994.

³ The term is drawn from the literature on corporatism, a system of governance where interest groups are organised in national, hierarchical organisations. Concertation implies that interest groups are incorporated into policy formation and implementation. Cf. Arend Lijphart and Markus L. Crepaz: «Corporatism and consensus democracy in eighteen countries: conceptual and empirical linkages», *British Journal of Political Science* 21, 2 (1991), pp. 235-246.

immediate effect. An instructive example is the solidarity pact introduced in Norway during the early 1990s. Against a backdrop of looming economic crisis, employers and employees established the pact that pay rise would be adjourned *and* profit contained to maintain competitiveness.

There is power behind the claims of a collective workforce, yet those claims rarely seek to overthrow the inherited model for economic growth. Trade unions have pursued conservation rather than deep-seated reform. Workers' interests have been promoted within the established structures. Vladimir Lenin understood at an early stage what such an agenda implied when he referred to trade union consciousness as a decisive barrier to revolutionary politics.⁴ From a radical perspective, there is an innate frustration emerging from the lack of rebellion. Yet from most other vantage points, the pragmatic policies of the Scandinavian trade unions have served the workers well.

With its high level of trade union penetration, Scandinavia strikes a contrast to South European countries where the trade union movement has generally been smaller, more fragmented and more radical. The price for fragmentation, occurring along ideological (and to some extent denominational) lines, has been that trade unions have often been incapable of acceding to a framework of negotiation with either the employers or the state. Employers on their side have grasped the structural advantage of a fragmented labour movement. There is an obvious self-reinforcing dynamic in each of these dynamics: the Scandinavian one of high penetration of the labour market and the South European one of fragmentation and localised use of strikes and other weapons from the trade union arsenal.

Egalitarianism in the Nordic model

The ideal of equality that prevails in Scandinavia is not the exclusive property of social democracy, although the labour movement became its primary vehicle with the rise of industrial society. The penchant for social equality is ingrained in the low church movement as well as in the coalition campaigning for suffrage extension and civil rights in the nineteenth century.

⁴ Lenin's argument highlighted the requirement of a revolutionary vanguard, as the working class operating along would constrain itself to satisfying short-term needs. Cf. Vladimir Lenin: *What Is to be Done?*, first published 1902, available at <http://www.marxists.org/archive/lenin/works/1901/witbd/ii.htm> (26.05.2012).

As it is, there is reason to argue that entrepreneurship is more significant to the Nordic model than how it appears when the quest for equality is claimed to be the politico-cultural cornerstone of the Scandinavian countries. Arguably, it would be more to the point to contend that it is a peculiar combination of equality, self-help and community that has provided the ideological foundation of the Nordic model. Egalitarianism draws upon the acceptance to share but also opportunities to succeed. Social equality is thus merely one piece of the jigsaw which has made these «small states in world markets» highly productive.⁵

The significance of such longer-term cultural and institutional features is brought to bear if we contrast the Scandinavian countries to Britain. Here, political practice from later years illustrates how the class problem cannot be resolved overnight through redistribution of opportunities. The Labour governments of Tony Blair and Gordon Brown developed comprehensive strategies to counter inequality of opportunity in all phases of life. State schools in deprived areas were granted fresh funds. Grants were increased for families living in poverty, great emphasis was placed on creating new jobs, new and tailor-made benefits were meant to increase opportunities for all.⁶

It remains to be seen what effects the continuous work on children and schooling under Labour will have on social mobility in the longer run. Improving life chances is essentially an investment, where the dividend will appear over the next decades. Nonetheless, it is of relevance to note that a focus on material redistribution – moving money from one pocket to the other – cannot in and by itself resolve the issue of class. Towards the end of his premiership, Brown was bemused that benefits intended for the furthering of knowledge and skills were spent on television screens and other consumer goods. The anecdote illustrates how not only equal opportunities, but also responsibility and aspiration are preconditions of social mobility. Without the cultural underpinning, sheer redistribution of wealth is easily translated in stagnation

⁵ The expression stems from Katzenstein's *Small States in World Markets* (Cornell University Press, 1985), which is further discussed in chapter 5. A broad elaboration of the political and cultural basis for Scandinavian politics is found in Francis Sejersted: *The Age of Social Democracy. Norway and Sweden in the Twentieth Century*. Princeton, N.J.: Princeton University Press, 2011, especially ch. 10. See also Jens Arup Seip: *Utsikt over Norges historie*. Oslo: Gyldendal, 2002 [1974], pp. 90-94.

⁶ Jane Waldfogel: «Introduction», in *Britain's War on Poverty*. New York: Russell Sage Foundation, 2010. See also Anne Power and Helen Willmot: «Bringing up families in poor neighbourhoods under New Labour», in John Hills and Kitty Stewart (eds.): *A More Equal Society? New Labour, Poverty, Inequality and Exclusion*. Bristol: The Policy Press, 2005.

of a different kind.⁷ The Nordic model of social democracy draws upon the assumption that strong cross-class communities provide the best platform for individual aspiration. Robust unitary schools are one incarnation of this.

Challenges to the Nordic model

In the early 1980s, Einar Førde, deputy leader and leading intellectual of the Norwegian Labour Party mused over the historical journey of social democracy in the Scandinavian countries. The essence of that journey was a transformation of the labour movement from sectional interest to a quintessential part of society as a whole. That transformation, according to Førde, amounted to a form of «universal extension» of social democratic values, a process which gave the left a superior position in political, organisational and cultural terms.⁸ Drawing upon the historical trajectory of the three Scandinavian countries it was even possible, Førde argued, to claim that *we are all social democrats*.

Rapidly becoming a catchphrase in political discourse across Scandinavia, the statement neatly summarises our account of the Nordic model. The governing role of the social democratic parties in all three countries gives one clue to understanding the basis and sustainability of the model, but it does not tell the whole story. The model started as a class compromise, a settlement over the political and economic rules of the game which was struck in small and egalitarian countries deeply exposed to international competition. The idea of a national community trumped class antagonism as the welfare state was expanded. The Nordic model gained particular acclaim in the decades following 1945, but it has also proved to be far more resilient than what many accounts of the social democratic golden age tend to suggest. While the neoliberal wave of the 1980s and 90s changed the international economy, this does not entail the end of national governance nor the end of social democracy as experienced in the Scandinavian countries.

The main challenges for the Nordic model today concern the accommodation of globalisation and increased internal diversity. Growing inequality is a visible effect of globalisation, and one which social democratic parties have found it difficult to counter effectively where the logic points to higher rewards for the higher skilled.

⁷ See Jason Cowley: «Gordon Brown's last stand», *New Statesman* 9 May 2010, available at www.newstatesman.com/uk-politics/2010/05/gordon-brown-labour-mandelson (30.4.2012).

⁸ Einar Førde: «Sosialdemokratiets veg». Lecture for Politisk forum, Stortinget, 21 February 1980. Reprinted in Einar Førde: *Vi er alle sosialdemokratar: Åtte foredrag*. Oslo: Tiden, 1981.

Nevertheless, international trade does not by necessity lead to widening inequality and welfare state retrenchment. Despite decades of a supposedly neoliberal hegemony, the Scandinavian countries remain admired not only for innovation and competitiveness but also for their family policy, gender equality and participation in the labour market.⁹ An essential task in order to meet the challenge of globalisation is to develop a clearer analysis of which tools and decision-making capacities belong to the national level and which ones could be better resolved at the level of the EU. Liberal parties have often been more disposed than social democrats to accepting the idea that political power must accompany international capital.¹⁰ Social democrats can add a principle of their own: where corporate power cuts across the European market, labour organisation and employment protection must follow.¹¹

Sustainability

The Nordic region is faced with a daunting, but far from insurmountable task when it comes to financing the welfare state over the decades to come. Each of the countries has specific features when it comes to the scale and character of the task. Beyond these nuances, however, the Nordic countries share at least three specific challenges: demographic change will increase the financial burden (notably concerning pensions and healthcare); individual demands will require specialised services; and, finally, international trade will put to the test the Nordic economic model of high employment, small wage differentials, skilled production and high exports whose functioning is imperative for financing the welfare state.

The governing assumption in the Nordic model of social democracy is one of fundamental equality, relieving the citizens from any need (or desire) to pick brothers in need of support. An argument which is sometimes voiced in the literature is that such a welfare state model is possible only for homogeneous, mono-cultural and collectivist societies grounded in solidarity that comes naturally and could be institutionalised with ease. These are characteristics, the argument goes, that falter in

⁹ Cf. for example The Legatum Institute: «The 2010 Legatum Prosperity Index».

¹⁰ Anthony McGrew: «Liberal internationalism: Between realism and cosmopolitanism», in David Held and Anthony McGrew (eds.): *Governing Globalization: Power, Authority and Global Governance*. Cambridge: Polity Press, 2002.

¹¹ For a brief account of this argument, see John Monks: «Europe, migration, globalisation and what about the workers?», speech by ETUC General Secretary, London School of Economics, 23 October 2007, available at <http://www.etuc.org/a/4158> (26.05.2012).

the face of ethnic and cultural diversity.¹² According to this argument, a multicultural society easily leads to the assumption that we are not all equal contractual participants in society. That contract has been intrinsically linked to the nation state. Today we are heading towards a situation where everyone is not «like us» anymore: one cannot take their playing by the tacit rules of the welfare state, and one cannot expect that cross-group solidarity will be maintained.

This argument draws on certain assumptions which can easily be defied. There is no natural law saying that the will to share is reduced by social and ethnic diversity.¹³ It is evident that systematic biases between groups who contribute and groups who receive may have a pernicious effect on solidarity. But this is certainly not a new and different challenge as is typically assumed. Twentieth-century society emerged from contrasting (if not conflicting) affiliations, clearest of all in the form of class but in the Nordic case also in accordance with cultural and geographic cleavages. The will to share may require an invisible contract cutting across division, but the contract itself need not rest on ethnicity or culture as the supreme identity marker. Multiculturalism presents the welfare state with enhanced challenges both when it comes to production and redistribution, but they are challenges which can be resolved within the model's framework.

An important premise must be that migration is not a novel aspect of Nordic societies. On the contrary, immigrants have throughout the ages contributed in shaping these societies; from the cultural, if at times rather violent, fusion with Britain and Continental Europe in the Viking age via the German Hanseatic merchants of the 15- and 1600s to Texan engineers assisting in the build up of a Norwegian oil industry in the 1970s. And the Nordic culture has shown a distinct robustness faced with the foreign and unknown. Just as folk costumes designed in the 1800s were inspired by south European traditions, culinary traditions from across Europe entered the Nordic cuisines since the 1970s. The capacity to benefit from impulses from abroad is one important reference in the debate on how immigration and integration should be accommodated from a social democratic vantage point.

¹² Cf. Keith Banting and Will Kymlicka (eds.): *Multiculturalism and the Welfare State: Recognition and Redistribution in Contemporary Democracies*. Oxford: Oxford University Press, 2006.

¹³ For a thoughtful debate on this topic, see f.ex. Bo Bengtsson, Per Strömblad and Ann Helén Bay (eds.): *Diversity, Inclusion and Citizenship in Scandinavia*. Newcastle: Cambridge Scholars Publishing, 2010.

Another important premise is that the multicultural society is not an issue of whether one is for or against it. The starting point for any debate must necessarily be that the Nordic societies already are multicultural. The political debate must concern how challenges related to the multicultural society should be met, ranging from forced marriages and organized crime to civic spirit in local communities. Behind cultural debates looms the issue of full participation in education and employment, fundamental to the economic sustainability of the welfare state which we discussed in the previous chapter.¹⁴

A third point to raise is that multicultural societies could entail great advantages in adapting to – and succeeding in – a globalized economy. While decisions taken far away have increasing importance, whether they are generated in international organisations or business boardrooms, globalisation is also about the international projection of Nordic products and ideas. Multicultural competencies could facilitate this exchange and add greatly to the position of the Nordic countries in a broader international community.

Only Nordic? Or transferable?

While there's certainly more than a few grains of truth to this long view of the development of a Nordic model, it can also work to obscure the seriousness of the social conflicts that developed even in Scandinavia in the late 19th and early 20th century, and that the solutions to these conflicts were found in conscious and effective policies enacted by Scandinavian social democrats. Moreover, policies that promoted social cohesion, although partly as an electoral strategy of the 1930s to expand the popular support beyond the mere working class votes while countering the growth of fascism, established a distinct policy path pursued by social democrats in Scandinavia. And through the expansion of the welfare state and with it the need to raise revenues through taxation, these policies soon moved to the very core of social democratic thinking.

Social cohesion is thus a product of negotiated settlement and a broadly shared political outlook rather than ethno-cultural affinities. The Nordic societies, with Norway as a quintessential example, share a collectivist outlook, but even more important is the fact that they have developed institutions nurturing this political vision over time. The state – and more broadly, the public sector – has never been

¹⁴ See f.x. Jon Hustad: «Innvandrara i trygdefella» in *Dag og Tid* April 29th 2011.

subject to the same suspicion in Norway as is typically seen elsewhere in Europe. Rather, the state is perceived as the expression of the collective will and as the best way of resolving collective tasks. It is not only that a large public sector requires a very effective private sector to pay for it. The relationship, notably, goes the opposite way as well: an effective private sector is dependent on a large and encompassing public sector providing the infrastructure for private entrepreneurship to succeed.

Also, while Norway (and particularly the Labour Party) have been strongly affected by the rationalist planning and administration from above, which in Britain dates back to the early Fabian tradition, there has *also* been a strong and consistent urge for grass roots mobilisation. This applies to the vision of the party as a mass movement as well as the view that the welfare state and redistribution are dependent on popular support. Without mass mobilisation, a collectivist society will quietly wither away. The proximity between governing and governed is key to understanding why the strong state approach of the Nordic countries does not lead to alienation and faceless bureaucracies.

The social democratic model allows people to succeed and individuals to blossom – in fact, it rewards corporate success and individual choice – but it also presupposes solidarity. A key challenge for an independent Scotland would be to forge solidarity over time and to develop the institutions that combine a high ability to produce with the willingness to share. That combination of qualities is perhaps as close as we get to a defining trait of the Nordic model.

The lecture draws on excerpts from a book manuscript by Nik. Brandal, Øivind Bratberg and Dag Einar Thorsen: *The Nordic Model of Social Democracy* (Palgrave, forthcoming in 2013).