

Economic and Social Security in Scandinavia: A Model for the Baltic Area?

Eric S. Einhorn
University of Massachusetts Amherst

John Logue
Kent State University

**Prepared for the Council for European Studies meeting
Chicago, March 29-April 2, 2006**

1. The rise and fall of the Scandinavian model¹

The small nations that comprise the Scandinavian area constitute a social laboratory for the Western world.

– Walter Galenson, *Labor in Norway* (1949)

From the 1930s through the 1980s, the Scandinavian countries in general and Sweden in particular were frequently described as being models for the development of humane, democratic policies for other societies. From Frederic Howe's *Denmark: A Cooperative Commonwealth* (1921) and Marquis Childs' volume *Sweden: The Middle Way* (1936) through Walter Galenson's *Labor in Norway* (1949), Hudson Strode's *Sweden: Model for a World* (1949), Richard Tomasson's *Sweden: Prototype of Modern Society* (1970), and *Der Spiegel*'s cover story "Schweden -- Modell für Bonn? Blick auf Schweden – Blick in die Zukunft" (1972) to our own volume *Modern Welfare States: Politics and Policies in Social Democratic Scandinavia* (1989), foreign journalists and scholars found much in Scandinavian policies that, they thought, was admirable and deserved emulation in their own societies.

At least in times of crisis elsewhere, this literature enjoyed substantial popularity. Child's *Middle Way*, which appeared in the midst of the Depression in the capitalist West and Stalin's purges in the communist Soviet Union, went through at least 22 printings in three editions, including six within seven months of its initial appearance. Its reviews drove home its importance: "Let messengers ride forth," wrote New Deal official and chief trustbuster Thurman Arnold, "to the frightened men on courts and in editorial sanctums ... bearing the glad tidings that a country has been discovered where governmental power is exercised in great humanitarian enterprises without either the loss of civil liberty or the destruction of private capital" (Arnold 1936, p. 614). Childs' volume remains the most widely sold English-language book on any aspect of Scandinavia. (For its impact and Childs' other writing on Sweden, see Logue 1999, pp. 162-64.)

And there was an alternative, darker vision of Scandinavia as model. Writing in the *Saturday Evening Post* in 1959, Peter Wyden linked Sweden's welfare measures to alcoholism, suicide, and crime. This admonitory literature grew particularly in the 1970s and 1980s, as the Social Democratic project was completed. Scandinavia could be viewed as a nightmarish amateur Brave New World, as in English journalist Roland Huntford's *Sweden: The New Totalitarians* (1972) or as the epitome of economic inflexibility as in Per-Martin Meyerson, *Eurosclerosis – The Case of Sweden* (1985).

¹Although we use the terms "Scandinavian" and "Nordic" interchangeably in this paper, there are sometimes significant national differences in the social and economic policies of the five Nordic states. All still conform, however, to the "universalist, social democratic model" based on generous tax financed benefits and programs accessible to all. We note growing deviations from that model. This paper deals primarily with Denmark, Finland, and Sweden because of its Baltic orientation, and we will generally limit our examples to those countries.

Like beauty in the eyes of the beholder, the definition of the “Scandinavian model” has varied with the commentator. It often seemed to be a metaphor for what the commentators sought (or feared) in their own society.

Our issue, however, is not transferability to the US. It is, rather, transferability within the Baltic region.

What is the Scandinavian model?

For the purposes of this paper, our question is defining a model useful elsewhere in the Baltic region including northern Germany (mainly the former German Democratic Republic) Poland, Russia, Lithuania, Latvia and Estonia. While the region varies dramatically in language, ethnicity, and religion, it shares a commonality in having significantly been under Communist and authoritarian rule, and hence combining extremely large-scale, technologically relatively modern industry which was very overstaffed and designed for monopolistic production, highly concentrated agriculture (except peasant Poland), weak civil society (except, again, Poland), and weakly rooted democratic institutions. These are not modernizing agricultural societies; they are, rather, industrial societies with weak agricultural sectors. They are also societies in which the rhetoric of solidarity, of cooperation, and of socialist idealism rings false, as the political formula of the discredited Communist regimes.

For the purpose of this paper, we propose to describe the Scandinavian model as that in which

- (1) an activist and interventionist state
- (2) provides universal transfer payments to support the elderly, disabled, unemployed, and families with numerous children and low market incomes;
- (3) provides universal social services for health, education, childcare, services for the elderly and the like;
- (4) uses national policy to achieve high rates of labor-force participation and full employment on the national level, via both macro-economic and sectoral policies;
- (5) integrates major interest groups in making and implementing national policies (rather than the capture of the state structure by a single group of interests, or state capture of the interest organizations);
- (6) possesses a strong civil society with encompassing and democratic organization of interests, but particularly the strong organizations of those otherwise weakest in capitalist society -- family farmers and urban workers²; and

²Perhaps the clearest structural factor that distinguishes the Scandinavian countries – Denmark, Finland,

(7) is underpinned by a set of values around empiricism and social trust; in particular, solidarity and reciprocal responsibility are crucial concepts in the development of public policy.

The benefits of the model appear to flow from points 1 to 4. The question we raise in Part III of the paper is whether these benefits can flow purely from state structures or whether points 5-7, underpinnings of a strong civil society and of the values of the Scandinavian “popular movements” – the agrarian and labor movements of the 19th and 20th centuries -- are, in fact, key to success.

The model under pressure I: The changing global context for economic policy

One additional caveat to Baltic transferability needs to be raised: the changed international context.

By and large, from the origins of the Scandinavian model during the Depression in the 1930s to the 1980s, the model assumed that the nation state was appropriate unit for making policy. Indeed, the careful calibration of Swedish Keynesianism in the 1930s through 1960s through sectoral policies, geographic policies, and corporate investment funds in addition to macro-economic policy gave Sweden a growth edge while making her virtually recession proof precisely because the nation-state was the appropriate and bounded unit for economic policy.

In the 1930s to 1950s, the transfer payment portion of the welfare state model – which was significantly counter-cyclical – was designed simply to keep together the body and soul of the unemployed, injured, or sick worker. It was relatively inexpensive. Replacement ratios averaged about 40% of market wages. Further, it assumed the traditional workforce: men and unmarried women. Married women stayed home and raised kids, at least in bourgeois families and in families of better-paid skilled workers.

In the late 1960s and early 1970s after a decade of economic virtually continuous economic expansion, replacement ratios were raised to 70-80% of market wages.³ Tax policy was revamped to increase female labor-force participation, and high quality daycare and then after-school care were added as new social services to support housewives’ mass movement into paid employment. The consequence was to dramatically increase the effectiveness and the cost of the welfare state in an economic downturn – just before the economic dispensation changed.

Iceland, Norway, Sweden and Norway – from the other countries bordering on the Baltic is the strength of the “popular” – agrarian and labor – movements which are democratically organized from below.

³In 1996, replacement ratios varied between 80% in Denmark (for up to 260 weeks) and 85% in Sweden (60 weeks); by contrast, the replacement ratio was 60% in the United States (26 weeks). Labor force participation in 2002 was 74% in Finland, 78-80% in Denmark and Sweden versus 76 percent in the United States, 74 percent in Japan and 68% elsewhere in the EU. Curiously the sharp increase in the replacement ratios in the late 1960s and early 1970s appears to have taken place without a discussion of the impact on global competition. Rather, it was in the context of the then-current “equality debate.”

When that dispensation changed, as it did in the 1970s and 1980s with the oil crises and global economic waves washing over the Scandinavian economies, the national economic policy model – on which the rest of the model rested – began to stumble. The oil crisis of 1973-74 was followed by “stagflation,” a debilitating blend of economic stagnation with inflation that conventional economic theory did not permit. The stabilization of demand through Scandinavian welfare measures -- both transfer payments and social services -- certainly proved itself in sustaining living standards, keeping unemployment relatively low and maintaining continued high labor force participation during this period. On the other hand, budget deficits skyrocketed. Not surprisingly, trade deficits also expanded as Scandinavian consumption continued to grow and wages increased in the tight labor market while the international economy contracted. Both public and private deficits were significantly financed by international borrowing, and that began to pressure national currencies. The situation was unsustainable, except in Norway, which borrowed more but did so to invest in building the infrastructure for the North Sea oil bonanza.⁴

Innovative Swedish efforts to adapt national economic policy to a globalized economy through financing a “production for inventory” scheme in the 1970s by using inexpensive foreign borrowing during the recession to continue domestic production for export when the global economy recovered failed by increasing inflation relative to trading partners, raising foreign debt, and finally force the devaluation of the Swedish currency to dispose of the bloated inventories. In part the failure of this apparently brilliant approach to “bridging” the international economic downturn stemmed simply from the virtually interminable length of the international economic downturn after the oil crisis of 1973-74 that far exceeded the length of any other post-war recession. In part, however, the failure reflected the transformation of the global economy. The nation state was ceasing to be the appropriate unit for making economic policy.

A genuine Scandinavian -- and world -- economic recovery did not follow the oil crises of 1973-74 and 1979-81 until Reagan’s experiment with “supply-side economics” which pumped out the largest demand-side stimulus -- and largest American budget deficits -- since World War II. Most of that stimulus flowed out of the American economy to simulate international economic growth in the mid- and late-1980s, though at the costs of then-unprecedented American current account and budget deficits.⁵ The return to economic expansion in Scandinavia did not result from national economic measures, though those were helpful, so much as from American deficits stimulating the whole international economy.

⁴At \$3 per barrel for Saudi oil in 1972, North Sea oil was an interesting geological anomaly. It cost more to produce than it yielded. With Saudi oil at \$12 a barrel in 1974, North Sea oil was a commercial proposition. Norway has never looked back.

⁵If the situation seems similar to the American economic situation today, it is because the policies are identical. Massive demand stimulus in the United States is fueling the Japanese economic recovery from the collapse of the property bubble of the 1980s and early 1990s, Asian “Tiger” recovery from the currency crisis of 1997-98, and continuing explosive Chinese growth. By contrast, real wages have been stagnant or declining in the US since the mid-1970s and household incomes have risen modestly in real terms only because of higher female labor-force participation. The 2005 US current account deficit of \$805 billion was the largest in international economic history, and also the largest the US has sustained as a percent of GDP (6.4%). It constitutes a massive stimulus to the rest of the world’s economy.

The fall of the Berlin Wall in 1989 and the collapse of the Soviet Union itself in 1991 further changed the equation. If Childs had seen Sweden as the “middle way” between the crisis-prone but democratic capitalism of the West and the Stalinist autocracy of the Soviet Union, what happened to the “middle way” when the marker on the one side of the road disappeared?

At the same time, growing economic globalization meant that national economic policies were not sufficient to reinflate the domestic economies in the face of the recession of early 1990s.⁶ In addition to the international recession, Finland’s exports were devastated by the collapse of the Soviet and COMECON markets, where the Finns had enjoyed a privileged position as an advanced industrial neutral. Finnish unemployment careened upward to 18%, a near Depression-era marker. Sweden, much less dependent on exports to the East but significantly dependent on trade with Finland, saw its own unemployment spike to 8%, extraordinarily high by post-war Swedish standards.

But if the nation state is no longer the appropriate venue for economic policy, what is?

The model under pressure II: Domestic strains

Global economic pressure exacerbated domestic welfare-state design problems. There were five principal sources of strain: changing gender and family roles, tax system design, generational cultural change, the graying of Scandinavians, and immigration. These five factors were, to a considerable extent, interlocked, and each tends to drive the others.

In loco uxora. In the heady days of economic expansion in the 1960s and early 1970s, the Scandinavian countries committed themselves to women’s economic equality. This did not just mean equal wages for equal work for those in the labor market. It meant equal access to gainful employment – genuine equal opportunity. That required either a fundamental change in gender roles in the family – men taking an equal role in child rearing and household chores – or a dramatic expansion in public social services to include the traditional care-giving roles of the housewife.

The Scandinavians took the latter course. But it was expensive for the state to provide the services to children and the elderly that had previously been provided by housewives, at least if these services were to be provided at the level of quality that Social Democratic ideology and bourgeois sensibility required.

⁶ Curiously the entry of the former Soviet bloc into the global economy did not bring large-scale, low-cost, low-quality industrial manufacturing competitors to the global market. The neo-liberal economic “reform” policies of the Yeltsin administration, ably supported by the advice and paid assistance of the International Monetary Fund, the US Treasury, USAID, Sweden’s own Anders Åslund, and the corruption-plagued Harvard Institute for International Development, devastated the Russian economy, destroying much of its productive capacity, eliminating its social security system, and producing the largest fall in life expectancy in peace time since the Black Plague. Imagine the economies of the West today had the former Soviet economy been retooled as a Chinese-style industrial competitor – rather than as a refrigerated Saudi Arabia.

Most working class women -- especially the unmarried; wives of farm workers, those married to unskilled and semi-skilled workers, and those whose husbands were in industrially pressed skilled trades like shoemaking -- had always worked: domestic service, retail, and factory, part-time or full time. Theirs were latchkey kids with the older taking care of the younger. Through the 1950s, the Social Democratic dream was, if you could push up male wages sufficiently, the working class could achieve the bourgeois luxury of the “non-working” wife.

The ideal changed in the 1960s and 1970s. Women’s mass entry into the labor force came to be seen as a good for women and for a democratic society, not a regrettable consequence of poverty and low wages nor an emergency of war. Female labor force participation exploded from between 37% (Norway) and 53% (Sweden) in the 1960s to between 73% (Norway) and 79% (Iceland) in the 1990s (Einhorn and Logue 2003: 230). By contrast, EU female labor force participation grew from 44% to only 57% in the same period. As the cost of daycare, after-school care, and home assistance for the elderly similarly exploded in the public budget, higher taxes followed. And higher marginal taxes increased the pressure on remaining housewives to seek gainful employment, and that forced further expansion of state services to children and the elderly.

The shift for taxing the family as a unit to individual taxation – an equality measure – also drove the process. When marginal rates were low, there was no tax push to drive women into the labor market. However, with individual income taxation and quickly rising marginal rates (which peaked at 73% in Denmark for professors in the early 1980s), the rationality of adding a second salary - taxed at less than half the rate of adding additional income to the first salary – forced even women who much preferred taking care of their own children and parents into paid employment taking care of the children and the parents of their neighbors.

Tax conundrums. The Scandinavian tax systems themselves were poorly designed for high marginal rates, and tax system redesign lagged the destructive impact of rising marginal rates. The basic problem was that high tax rates reshape economic behavior -- something noted with regularity since Roman times and possibly before. The worst Scandinavian problem in terms of economic impact was the combination of very high marginal tax rates with the deductibility of mortgage interest in a high interest rate environment. If you are paying 65% in marginal taxes and your mortgage interest is fully tax deductible, your effective interest rate after taxes at a 10% nominal rate is 3.33%; if the rate doubles to 20%, you pay only 6.67% post-tax. So the housing market ceased to be interest-rate sensitive, fueling a housing price boom and house debt explosion that, at its worst, was reducing the tax base by 1% of gross taxable income annually. The dislocations got worse and worse. When the governments finally got the political nerve to deal with the situation by reducing the deductibility of mortgage interest, the housing bubble burst, homeowners found themselves with mortgages they couldn’t support, and the banking sector had to be bailed out.

A similar, but economically less significant problem cropped up in the preferential tax treatment of capital gains. At low marginal tax rates, preferential tax treatment for capital gains fundamentally compensates for inflation and produces few distortions. At Scandinavian tax rates in the 1980s, converting taxable income into capital gains became the sport of the rich. Even the

state got into the act. At a public finance nadir, Danish governmental agencies in early 1980s aided and abetted tax evasion by issuing bonds carrying half the market rate of interest (which was taxable as regular income at high marginal rates) at half their face value to create a (non-taxable) capital gain.

Business investment, however, remained sensitive to interest rates. When interest rates rose, business investment dropped. As the housing market soaked up more investment cutting the taxable income base, rational business men began to park their capital in those cut-rate government bonds which yielded tax-privileged capital gains, doing double damage to the economy - cutting employment (and raising social spending) while further reducing the tax base.

These issues of tax system design were, of course, soluble with enough political will to endure the pain. The Danes, Swedes and Norwegians all dealt with tax reform in the 1980s, though with considerable economic pain in deflating the real estate bubble.

Generational culture and take-up rates. A clear source of welfare-state stress has been the tendency of more Scandinavians to make use of various welfare measures.

Most Scandinavian welfare measures were universal; means testing was a rarity. The unwritten assumption was that citizens exercised self-restraint, seeking benefits as needed. Certainly for a generation, that held true. The bourgeoisie and upper classes shied away from welfare benefits with their “working class” and “Social Democratic” stigmas. Good Social Democratic and Communist workers sought benefits only when really needed because of the “superior ethics” of the working class. This self-restraint enabled the Scandinavians to build extraordinary edifices of welfare benefits that overlaid, for example, regular unemployment compensation with part-time unemployment compensation and with emergency cash payments for family disasters -- like having a fire ravage your apartment -- when you were unemployed.

But values are tied to generations, and as the generation, which had built the welfare state through Depression, war and Resistance passed from the scene, its values passed with it. Thus part-time unemployment compensation, designed for dockworkers and day laborers in construction, became used by part-time university instructors trying to work their way into tenured positions. Upper class company managers who lost their jobs to mergers couldn't make mortgage payments on their villas on unemployment compensation, so they applied for emergency cash relief.

Similarly, but more generally, Danish sick-pay statistics indicate that the young are sicker than the old. Health statistics demonstrate that they aren't. They are, however, more likely to call in sick.

If the Scandinavian welfare states have clearly rested on a combination of a strong work ethic and a sense of self-restraint in the founding generation, changing generational culture forces significant recalibration.

The graying of Scandinavia. The greatest apparent threat to the Scandinavian model is demography: an aging population leaves fewer active workers supporting more retirees. It's the General Motors syndrome. Worse (or better, depending on your perspective), retirees are living longer. The over 80 segment is the fastest growing part of the Scandinavian population. The combination of larger numbers of pensioners and higher medical costs would seem to threaten the stability of the welfare system.

Here, as will be discussed in the next section, the Scandinavians have been quite proactive, perhaps because demographic change is so predictable. They have undertaken general pension reforms that have increased funding and extended the average years of work before retirement.

Medical cost increases have been restrained by maintaining a fairly centralized national health system. Despite a significantly older population than that of the United States, Scandinavians spend only 2/3s as much for health care. They have better health care statistics too. But, then, so do almost all of the nations we like to compare ourselves with, as well as an increasing number of those with which we do not generally compare ourselves, like the Czech Republic, Cuba, Greece, Hong Kong, Ireland, Singapore, Slovenia, and Spain on infant mortality, for example. It seems that we will remain safely ahead of Africa, Latin America, and parts of Asia for another several decades, but infant mortality is already lower in Beijing than in New York.

Immigration and the new Scandinavians. A final issue that will figure in the discussion to follow is that of immigration. Into the 1970s, the Scandinavian countries were extraordinarily homogeneous in terms of language, race, and religion. There were geographic pockets of diversity – Swedes in western Finland and on the Åland Islands, Germans in South Jutland, and Sami (Lapps) in the far north of Norway, Sweden and Finland – but they had been there time out of mind and were generally covered by special legislation to protect their rights to cultural self-determination in the case of Swedes in Finland and Germans in Denmark, or it was easy to add new legislation to protect their culture, as in the case of the Sami. Indeed, one could argue that the values of solidarity and reciprocity underlying the Scandinavian model were a result of this homogeneity.

While the Scandinavian countries today still remain relatively homogenous by the standards of immigrant societies like the American, five percent of the population of Denmark, Norway, and Sweden are foreign citizens. While a fifth of these come from the other Nordic countries, for the first time the Scandinavian countries have a noticeably diverse population in terms of race and religion, especially in the major urban centers. These changes have been accompanied with less political civility than most Scandinavian politicians would have wished.

II. Reinventing the Scandinavian Model

By 1990 the Scandinavian welfare state model was in crisis. It shared that status with most other European welfare state models for many of the same reasons. Two decades of slower economic growth, demographic change (falling birthrates and aging populations), and globalization had undercut the economic foundation of many key social policies. The generous unemployment system with its high replacement of previous wages (at least for industrial workers) and employment measures to provide new jobs staggered under sustained unemployment. In Denmark unemployment had crawled upward since 1974 and despite some cyclical improvements in late 1980s and various “job creation” initiatives (including an early retirement scheme that proved disastrously popular), jobless numbers remained high into the 1990s. In Sweden and Finland, the sudden and severe economic crisis that hit both countries after 1990 sent the economy into its sharpest decline in two generations. Social policy mitigated the shock for individuals, but there were clear warnings that the fundamental model – which distributes income and social services across generations as much as between income groups – could not be sustained without reform.

Our proposition is that through their significant reforms the Scandinavian states have once again demonstrated their pragmatic but active policy process and added new options to other states seeking to make their social welfare system compatible with the 21st Century economy and society. Although the Scandinavian welfare policies “redistribute” substantial economic resources, their reforms have renewed their focus on making society pay its own way. For more than a decade public budgets have generally been in balance (or even run substantial surpluses). The emphasis on education, activation, and job placement has reduced, but not eliminated, the number of able-bodied welfare recipients. Pension reforms have improved the prospects for future generations to enjoy their retirement through compulsory savings and wise investments. Moreover these reforms have increased rather than eroded the competitive position of the Nordic countries in the world economy. Hence across Europe governments and social scientists show renewed interest in these “laboratories” for social democracy.

As discussed above, there will always be important limits and caveats in analyzing the Scandinavian models especially for “export” to different societies and economies. These countries remain small, broadly democratic, and despite heavy immigration, politically homogeneous. When France (60 million) or Germany (82 million) looks at Sweden (9 million) or Finland (5.5 million), there are inevitably significant issues of “scale.” Focusing on the Baltic one sees a similar variation: Germany and Poland (38 million) and Estonia (1.3 million) with very different social and economic priorities. Yet there are clearly good reasons for the broader Baltic and European interest in the Scandinavian “reform wave” of the past fifteen years. The principles and goals of full-employment, fiscal balance, social policy planning, and policy efficiency can benefit widely differing national cases.

The Scandinavian model like most other European social welfare systems rests on two fundamental premises. First, effective management of the economy will promote rising production of goods and services and full employment of the labor force. Since the 1930s macroeconomic management has been in the hands of the Government – especially the Finance

Ministry and the central bank. Microeconomic management has during the past thirty years moved strongly in favor of the private sector. Secondly, public policy and democratic corporatist institutions (especially labor unions) participate in that economic management and pursue a “fair” distribution of economic gains and a “decent” redistribution of resources from those who are currently earning to those who are either temporarily (unemployed, studying, ill) or permanently (retired, seriously disabled) outside the market economy. Both dimensions have been highly dynamic over the past century. During the past two decades there has been no serious alternatives proposed to a largely market-driven, privately owned production system (services are the exception). Even the “regulated” sectors -- finance, housing, utilities, transportation, etc. -- have been liberalized with generally positive results.⁷ Moreover although comprehensive and universal social welfare services have been available to Scandinavians since the 1960s, there has been considerable demand for expensive new programs (childcare and pre-school services, home health and service assistance for the disabled) and increased investment and expenditure in crucial social programs (e.g. healthcare and higher education). Although the past decade has seen a significant expansion in “competitive” and alternative provision of social services by non-public providers, universalism and political control still guide the Scandinavian welfare states.⁸ Residents have access to a vast array of publicly financed social, educational, and health services, but privately financed access has also been increasing.⁹

The Fall and Rise of the Neo-Scandinavian Model 1990 – 2005

The “recovery” of the Scandinavian model from the economic turbulence of the late-1980s and early 1990s was the result of social policy reforms, fiscal realism, and economic restructuring. It is important to mention that between 1974 and 1990, each Scandinavian country had made some basic adjustments to the “first phase” of “Eurosclerosis.” Denmark had faced the most severe challenges as it entered the tunnel with considerable economic and social imbalance. In 1974 Denmark had already built up considerable inflationary pressures that were multiplied by the country’s nearly total dependence on imported energy (mainly oil). A period of “Keynesian” response failed to bridge the slower growth of main export markets (Britain, Germany, and Sweden).¹⁰ Sweden followed a similar course but was “better armed” with Keynesian counter-cyclical policy measures, especially its “active” labor market programs that channeled the unemployed into training programs and at least marginally productive public sector jobs and an inventory subsidy program that allowed Swedish industries to continue to produce in excess of immediate demand in foreign markets. Finland was also subject to these shocks but was buffered in part by its significant trade agreements with the Soviet Union and

⁷ An important detail is that deregulation of banking and finance during the late 1980s and early 1990s in Scandinavia as well many other regions unleashed the greatest number of banking scandals and failures since the 1920s-30s. By the late 1990s most of these difficulties had been overcome, often with substantial public “bail-outs.” See Schwartz, 2001.

⁸ For example, private hospitals and clinics have appeared especially in urban areas. In some cases, such as Stockholm, citizens are sent to these providers through the public health system. Private companies have long provided many “public services” such as ambulances and trash collection.

⁹ De-regulation and encouragement does not usually extend to tax-subsidies. For example, employer-provided supplementary health insurance is taxed as regular income.

¹⁰ Denmark turned to currency devaluations – popular as well with its Nordic neighbors, but none of these measures could avoid public sector cutbacks and structural economic change. See Nannestad, 1991.

other CMEA (“Comecon” – eastern European) countries. These markets accounted for a nearly 25 percent of Finnish exports and also guaranteed access to Soviet energy (oil, gas, and electricity) and other natural resources at less turbulent prices than those on the “free” world market. Trade agreements also buffered Finland from growing competition from “new industrial countries” in Asia.¹¹

Denmark’s period of reform commenced in 1982 when the Social Democratic minority government resigned in favor of a non-socialist major coalition led by Prime Minister Poul Schlüter. After an election in 1984 confirmed support Schlüter’s coalition initiated a series of major structural reforms in social policy, taxation, and business regulation. An improved international economy helped propel these reforms through with minimal pain. Inflation was sharply reduced without a prolonged increase in unemployment, which nevertheless was higher than the boom years of the 1964-74. Denmark restored competitive balance to its major export industries without recurring currency devaluations. The government continued to allow the collective bargaining system function, but intervened when deadlock threatened key economic sectors. Nevertheless unemployment rates fluctuated between 8 and 12 percent until the various reforms along with sustained economic growth returned after 1994. By 2002 unemployment was down to 5.1 percent where, after a brief increase in 2003 and 2004, it remains today. Indeed, the Danish unemployment compensation and active labor market policy model has recently been described as “flexicurity,” for its provision of both labor-market flexibility and individual economic security (Stokes 2006).

Although Sweden had managed to smooth out the economic turbulence of the 1974-84 period through countercyclical fiscal policies and currency devaluations (an updated version of its policies in the 1930s), these measures failed to prevent the worst economic decline in more than fifty years after 1989. Between 1990 and 1993 Swedish GDP declined by 13 percent. The result was an agonizing reappraisal of both economic and social policy. The non-socialist coalition government of Conservative Carl Bildt instituted drastic measures in 1991, but with the return of the Social Democrats to power in 1994, the emphasis shifted from cuts to reforms. Sweden’s “active labor market” policies that emphasize retraining and temporary work measures rather than passive dole payments were reinvigorated. Although there is debate as to how effective such measures are in the long-term revival of modern economies, they did stimulate economic revival after 1994 and a return to modest but steady growth (along with fiscal balance) during the following decade.

Finland is the most dramatic case of change and reform under dire economic challenges. By the end of the 1980s Finland’s unique economic model had demonstrated considerable resilience but faced growing challenges. With roughly a quarter of its foreign trade linked to the Soviet Union and other CMEA (Communist) states, stability and predictability was giving way to stagnation. In the 1980s exports and imports amounted to roughly 50% of the Finnish GDP. As the Soviet and other Communist economies began to collapse, Finland’s situation was dire. Moreover like its Nordic neighbors, Finland had faced internal financial instability at the end of the 1980s when banking and credit deregulation stimulated a housing and credit bubble. These

¹¹ Particularly Finnish shipbuilding and wood and metal products were shielded from the rising East Asian competition.

problems hit in 1990 and in the following years, the Finnish economy suffered its worst decline in peacetime. Unemployment surged to nearly 18 percent in 1994, four times the rate in 1989 with regional and youth unemployment nearly twice as high (Pohjala, 1999, p. 59-60, Nickell, 1999, pp. 62-3). The plunge in GDP approached 11 percent. There is no doubt that Finland's social welfare programs prevented widespread hardship, but spending could not be sustained at such high levels (Osmanis, 1998).

Nevertheless, Finland's economy began a sharp recovery in 1995, perhaps encouraged by its new membership in the European Union (January 1995) and commitment to join the Economic and Monetary Union. The latter was completed with the Finnish *markka* disappearing in 2002, but ironically the recovery itself may have been helped by the large devaluations of the *markka* a decade earlier. That "tool" will be absent should future economic disasters strike. Finland's IT and telecommunications "niche" began to pay handsome dividends by the end of the decade. By 2004 Finnish per capita GDP (adjusted for purchasing power parity) was again comparable to its Scandinavian neighbors (Denmark and Sweden) and about 11 percent over the OECD level and 3 percent ahead of the EU-15 (OECD 2005, p. 12-13). Government debt and tax rates have declined modestly since the late 1990s (See Koskela and Uusitalo, 2004).

While foreign observers have focused on "niches" that the Finnish (and other Scandinavian) economies have carved out of the global economy, social policy was part of the restructuring that has produced the currently strong performances. When hard times hit in the 1980s and 1990s, the social safety net proved its worth, at considerable cost, and helped to reinforce the broad political consensus for reforms, cut-backs, and economic restructuring. The institutions of "democratic corporatism" showed their continued mettle in negotiating acceptable policy changes. This was not without conflict. Strikes and government intervention occasionally "banged heads together." During the past decade Scandinavian democratic corporatism has again demonstrated its resilience and political value. Labor union membership has remained high contrary to trends in nearly all other western economies. Unions have successfully recruited in the growing service economy including both the advanced technological and less skilled sectors. The "organized" economy has shown flexibility as well as realism. Nearly all of the major policy reforms have been based on the traditional Scandinavian "scientific" policy model; that is, government commissions have recruited experts from academia, business organizations, and the labor movement to study problems and propose solutions. Universities and autonomous think-tanks have added volumes of data and research on intricate issues such as economic structural change, technology, healthcare performance, and not least, old age pension alternatives. This does not replace either the periodic collective bargaining sessions or the political debate, but it does provide a generally accepted database of "facts" on which policy-makers and their constituents can frame the debate.

For example, all of the Nordic countries have made major reforms to their old age pension system to provide a viable economic basis for income security for the growing elderly proportion of the population. The trend has been to increase the "defined contribution" share of pensions, meaning that employees and employers will contribute to pension funds.¹² In most

¹² Norway is also relying on its massive petroleum earnings, which are now mainly diverted to a "Norwegian Pension Fund -- Global" (Previously known as the "Petroleum Fund") which are invested in foreign securities. This

cases employees have some options in what sorts of securities these dedicated pension funds will invest, and they carry most of the risk with these decisions. Pension issues are a nearly universal challenge to social welfare policies of OECD states ranging from severe in Germany and Italy where the unfunded liability of public pensions is enormous, through moderately “distressed” cases such as the U.S. Social Security System which will face soaring payments over coming decades, through those countries that either have minimized their public old age pension programs like Britain or which have a favorable demographic outlook (Ireland).

At present the Nordic states face continuing pension challenges, but are in a stronger position than most other OECD or EU states. First, the demographic curve has been less turbulent in the region. Birth rates are modest but stable at the replacement level. The growth of the older population commenced earlier in the region than in most other European regions. The main “problem” is the high preference for “leisure” that affects all Scandinavian age brackets despite significant variation between the countries. The various early retirement incentive schemes introduced during the period of high unemployment – particularly of younger workers – in the 1980s and 1990s has created a “culture” of early retirement. Although there are ample reasons for making it possible for elderly industrial workers to retire, the programs have been no less popular among service workers including those whose jobs have minimal physical demands. The combination of high income and employment taxes and generous social benefits for older citizens has reduced significantly financial deterrence to retirement. The trend is likely to grow more problematic as the natural increase in the labor force continues to shrink. In the short-run the early retirement programs have assisted the economic restructuring of the “post-industrial” economies of the region, but the rising “dependency ratios” (the number of young and older non-working people currently employees must support) is a serious challenge. Balancing in part this trend is the exceptionally high labor force participation rate of Scandinavians in the 15-64 age group reflecting the full entrance of women into the paid labor force. Current projections are for a significant rise in the dependency ratio for the coming 30 years. For example, in Denmark recent projections expect the ratio to rise from about 23 percent at present to 37 percent in 2040 (OECD 2005b, ch. 2).

Another factor that strengthens the reformed Scandinavian welfare state model has been the successful reaction to economic globalization. As small trading states the challenges of an economy highly dependent on foreign economic and political developments is nothing new for the Scandinavians. As Katzenstein suggested two decades ago, there is an embracing “realism” in the economic and political institutions of small trading states (1985). This favorable development has scarcely been automatic; international economic balances were quite threatening until the economic restructuring and policy reforms took hold after the mid-1990s. For most of the past decade international accounts have been positive for the Scandinavians and allowed greater fiscal and monetary policy flexibility than when deficits loomed.¹³ There is

fund is managed by the Bank of Norway and at the end of 2005 amounted to about \$ 209 billion.

¹³ Indeed for petroleum exporting countries like Norway managing the large inflow of foreign earnings proved to be both a political and economic challenge in the 1980s. The Petroleum (now Pension) Fund created in 1990 has eased the impact and forced an expansion of a sophisticated and internationalized financial sector to manage the new wealth, which in recent years has amounted to 15 to 20 percent of Norwegian GDP. In the impact of Denmark’s more modest but still significant petroleum resources has been primarily in alleviating the countries

substantial evidence that the universal and comprehensive welfare state typical of the Scandinavian countries (and others) has eased the adjustment to economic globalization. Since generous provision is made to those dislocated by declining economic sectors and since social programs have expanded employment in the public and service sectors, foreign industrial competition has been accommodated. The “efficiencies” of international trade have been exploited both as importers and exporters. Taxation has been adjusted to be less dependent on a closed national economy. For example, business taxes in Scandinavia are generally lower than other OECD countries. The heavy wage taxes do affect labor, especially in Sweden where the various measures can add nearly 40% to the wage bill. The high and comprehensive value-added taxes (VAT) and excises (especially heavy on automobiles, petroleum and energy, and luxury goods) do not distinguish between domestic goods and imports. While the tax burden on Scandinavians is notoriously high, domestic employers are not disadvantaged, and actually enjoy the “fruits” of generous social programs (well-trained labor, flexible labor force and relatively broad managerial prerogatives, low health insurance, etc.). The sum of the high benefit, high personal taxation system seems well suited to a globalized economy (see Einhorn and Logue 2005).

Social Challenges to the Scandinavian Welfare State

For more than thirty years the main focus of welfare state analysis and critique and been whether various models are “sustainable:” that is whether current and future programs and promises can be reconciled with economic and demographic changes. It is obvious that the “original” welfare state models that developed in Europe between 1930 and 1970 tended toward a static view of socio-economic change. Although the welfare state arose in large part to respond to the vagaries of industrial capitalism, many of the programs required stable economic growth to maintain fiscal balance. Likewise social changes such as the permanent entrance of women into the labor force, falling birthrates, changing educational requirements of the post-industrial economy presented challenged all of the various European models. Ironically the “liberal” minimalist model typified in Europe by Britain after 1979 and Ireland seems the most resilient because its ambitions for programmatic development and equality are modest. For the ambitious Scandinavian model the agenda and its ensuing costs have been quite dynamic. The expansion of public childcare as well as the major pension reforms of the 1990s is examples. It may well be that the great challenge in several generations is coming from the social aspects of globalization, and the rising ethnic diversity of previously ethnically homogeneous societies. There are significant differences among the Nordic countries with Sweden approaching 10% of its population of foreign origin, Denmark and Norway considerably less but more recent and rapid in development, and Finland facing a smaller non-European influx, but a rise in eastern European as well as non-European residents. These social and cultural changes impact nearly every aspect of contemporary politics, but social programs have been at the forefront.

As noted by many, Scandinavia’s generous social programs reduce the likelihood that immigrants and refugees will be “excluded” from the mainstream of society but they also present challenges to full integration. Even in Sweden which has had the most liberal immigration and integration policies backed by its formidable “active labor market” policies there are barriers to

classic balance of payments problems that dogged the public and private economy for most of the 20th Century.

integration of especially non-western immigrants. It is clearly a challenge for the coming decades to integrate the immigrants whose labor is required to maintain the national economies but whose cultural values may in some cases strain the solidarity and unity of the Nordic welfare states (see Caldwell 2006). It is clear that the Danes are moving toward a highly “active” integration policy while tightening entrance requirements (OECD 2003, ch. 2). One of the outstanding achievements of the Scandinavian welfare state was its role in “eliminating” the industrial “proletariat” through economic growth, redistribution, and modernization. It would be ironic if a new “global proletariat” arose in their place.

III. Transferability of the Scandinavian model to the rest of the Baltic region: Estonia, Latvia, Lithuania, Poland, and Russia

The Scandinavian model has clearly proven its adaptability in the last two decades, not least in accommodating the changes in the terms of international trade in the new global economy. A comparison between the relative success of Scandinavian policies and those of Britain, France, Germany, or the United States would probably be as favorable to the Scandinavian model today as it was in 1970. That would not have been true in 1985 or 1995.

Our question, however, is one of transferability: Is the Scandinavian model essentially (1) a structural response to the contradictions of advanced (or less advanced) industrial capitalism? Or does it rather reflect (2) the historical political and organizational balance of forces in Denmark, Finland and Sweden between labor and employers, between socialism and conservatism? Or does it reflect (3) more general issues of political culture, especially around the value accorded empiricism and the relative prevalence of social trust?

All certainly play a role. But transferability depends significantly on the relative importance of these three factors.

If the first -- the structural response -- then it could be assumed that the Baltic states will follow the Scandinavian model over time. Obviously some catch up is required -- see Table 1. Per capita GDP in purchasing power parity in the former communist countries lags that in Scandinavia by two thirds to three-quarters, and the 1990s were a lost decade in the sense that issues of transition led to reduction in GDP in the Baltic transitional economies except Poland.¹⁴ Still, if welfare development is a structural matter, we can assume a trajectory for the development of various welfare and economic policy measures not unlike those in Scandinavia. The European Union membership of the Baltic republics and Poland should assist this development.

¹⁴ Growth turned more generally positive subsequently. Growth in output per person employed when 1990=100 was ca 185 in Poland by 2003, ca 115 in Estonia by 2002, but still negative in Russia at ca -75 in 2002. International Labour Office 2005, p. 68.

Table 1. Economic and health indicators

	1999	1999	GDP	Infant mortality		Life expectancy	
	GDP Per capita	GDP at PPP	Growth 1990-98	1980	1998	in 1999 Male	Female
Estonia	3,480	7,826	-1.3	17	9	64	75
Latvia	2,470	5,938	-4.8	20	15	64	76
Lithuania	2,620	6,093	-3.9	20	9	67	77
Poland	3,960	7,894	4.7	26	10	69	77
Russia	2,270	6,339	-6.1	22	17	61	73
Germany	25,350	22,404	1.5	12	5	74	80
Denmark	32,030	24,280	2.8	8	5	73	78
Finland	23,780	21,209	2.5	8	4	74	81
Sweden	25,040	20,824	1.5	7	4	77	82

World Bank 2001, pp. 274-77, 294

Note: In this and other tables, Russian statistics are for the Russian Federation as a whole, not just for Kaliningrad and the St. Petersburg area, which have done better during the transition than Russia as a whole.

It is possible that size of the country in terms of geography and population play a role in policy implementation and evaluation, or at least that is often noted vis-a-vis the small Scandinavian states. If that were the case, then Estonia, Latvia and Lithuania – all with populations less those of Denmark or Finland – would seem to have the edge over Poland and Russia.

If the second – the historical political and organizational balance of forces -- then we have to consider whether Scandinavian-like conditions of political organization exist in the Baltic states. What are these “Scandinavian-like conditions”?

\$ Organization. The Scandinavian model has rested on strength of democratic, “popular” organizations – of farmers, workers, temperance advocates, grassroots organizations, and the like.

The density of organizational membership is striking. Union density stood at 78 percent in Finland, 86 percent in Sweden, and 90 percent in Denmark at the end of the 1990s, up significantly from 1960.¹⁵ Farmers and employers are equally well organized. Surveys indicate that the average Dane belongs to 3.1 and the average Swede to 3.2 organizations; only 6% of Swedes and 7% of Danes belong to no organizations (Andersen 1996, p. 55).

¹⁵ Comparative numbers were 30-40% elsewhere in most EU countries (except Belgium, which has a similar organizational structure to the Scandinavian) and 14% in the United States, down significantly from 1960.

\$ Ties between leaders and led. One of the striking aspects of Scandinavian popular organizations is the close tie between leaders and led. Much of the strength of the Scandinavian farm and labor movements has lain in the fact that they recruited their leaders from within their own ranks. The leaders continued to live their lives not unlike the way they lived before taking power. It is hard to find examples outside Scandinavia in which farmers' parties are led by working farmers; in Sweden, agrarian Center leader Thorbjörn Fälldin and his wife continued to run their farm while Fälldin served as prime minister. Or consider our interview with Danish Social Democratic prime minister Anker Jørgensen: As prime minister "you can't cut yourself free – and you shouldn't cut yourself free – of where you come from." As prime minister, Jørgensen continued to attend meetings at his warehousemen's union local and to live in the same four-and-a-half-room, walk-up flat that he had before he entered politics (Einhorn and Logue 2003, pp. 126-27). Sweden's Per Albin Hansson, prime minister from 1932-46, suffered his fatal heart attack in 1946 stepping off a streetcar on his way home. Forty years later, Prime Minister Olof Palme was assassinated when walking home with his wife (and without guards) from a movie. Swedish Foreign Minister Anna Lindh was assassinated while shopping in a department store in 2003. The corruptions of power are less tempting when you are firmly anchored in the milieu from whence you came.

\$ Permanence of organizational identification. A consequence of the factors above is stability in political self-identification. Certainly at the time of the construction of Scandinavian model between 1930 and 1970, Scandinavians identified with their "pillar" of society – labor, agrarian, and in the bourgeoisie liberal or conservative – at levels not seen excepted in other pillarized societies like Austria, Belgium, and the Netherlands. While class and occupational based self-identification is no longer as strong in Scandinavia as it was at the time at which the welfare states were originally constructed, it remains exceptionally strong in comparative terms internationally even today.

These conditions clearly do not pertain in the ex-Communist countries of the Baltic except, to a modest extent, in Poland where the church, repeated popular revolts, and, ultimately, Solidarity created some of those organizational ties. (However, the Solidarity's organization wore, however, poorly in politics. Witness, for example, its splits and the fate of Lech Walesa as president of Poland.) The legacy of Communism was the atomization of society.

This was particularly damning for the left. The transformational ideas of the labor movement were thoroughly discredited as an organizing principle. The Communist legacy was to see unions as the extensions of the state, and independent labor organization fell victim to the massive economic dislocation of the post-Communist era. It is hard to point to examples of successful trade union defense of members' interest. "Socialism" became the preserve of ex-Communist apparatchiks who owed their return to power to the failure of neo-liberalism to deliver improved living standards for the bulk of the population and, especially, displaced

workers and pensioners.

These organizational issues would seem to be reflected in the distribution of income in Table 2.

Table 2. Distribution of income

	Year of study	Gini index	Percentage share of income or consumption			
			Lowest 20%	Middle 60%	Top 20%	Top 10%
Estonia	1995	35.4	6.2	52.1	41.8	26.2
Latvia	1998	32.4	7.6	52.1	40.3	25.9
Lithuania	1996	32.4	7.8	51.8	40.3	25.6
Poland	1996	32.9	7.7	51.4	40.9	26.3
Russia	1998	48.7	4.4	42.0	53.7	38.7
Germany	1994	30.0	8.2	53.4	38.6	23.7
Denmark	1992	24.7	9.6	55.9	34.5	20.5
Finland	1991	25.6	10.0	54.1	35.8	21.6
Sweden	1992	25.0	9.6	55.8	34.5	20.1

Source: World Bank 2001, pp. 282-83.

If the third -- the presence or absence of a political culture of empiricism, trust, and solidarity -- is key, again we have to consider whether those attitudes exist or, if they don't, whether they can be coaxed into being in the other Baltic states.

There's an absence of a supportive political culture for a replication of the Scandinavian model in the ex-communist Baltic countries. It was summed up succinctly during the debate on relevant foreign models in the early Yeltsin period in the early 1990s in Russia by Arkady Volsky, the head of the Civil Union, then a potent political coalition of general directors of large enterprises. The trouble with Sweden as a model for Russia Volsky -- then touted as a possible prime minister -- commented laconically, was that "we just don't have enough Swedes."

Indeed, if anything, the period of transition in the former communist states has led to the development of what Edward Banfield (1958) once described as "amoral familism" in which the sphere of identification with group, class, and nation is strictly circumscribed. One of the lasting impacts of the Communist period was the subordination of all popular organizations to the state, with all the implications that that has for subsequent independent organization and action. The institutions of civil society there are exceptionally weak, and the assumptions of trust and solidarity that underlie everything from agricultural co-ops to union benefit societies, from people's high schools to trust in government in Scandinavia are missing. As Robert Putnam (2000, p. 281, referencing Putnam, "Tuning in, tuning out," p. 671) notes, in international comparison, "social capital appears to be highest of all" in Scandinavia.

Trust in political and social institutions is also significantly lower in the former communist states (Table 3), and the differences between the former East and West Germany remain equally sharp. Trust in governmental institutions is twice to three times as high in Scandinavia as in the former communist systems where Estonia leads in trust and Poland lags.

Table 3. Trust in political and social institutions. (Percent tending to trust the institution.)

	Percent with trust In parliament	Percent with trust in political parties	Police	Labor Unions
Estonia	48	18	59	45
Latvia	25	8	39	34
Lithuania	19	11	34	NA
Poland	12	7	45	25
Germany	36	18	80	37
Denmark	74	35	86	56
Finland	63	28	90	NA
Sweden	50	20	72	NA
EU 25 average	35	17	65	38

Source: European Union. Commission. 2005. National reports for the countries in question.

Moreover, there are deep and bitter ethnic division in Estonia, Latvia, and Lithuania between their national majorities and large minorities, principally Russian, from elsewhere in the Soviet Union. Thus Lithuania was only 80% Lithuanian; Estonia, 64% Estonian; and Latvia, 54% Latvian in the early 1980s (Judt 2005, pp. 644-45), creating a tinderbox of ethnic and political animosities that continue to plague the lives of these small states. Today, with fewer ethnic Russians, Lithuania is 83% Lithuanian; Estonia, 67% Estonian, and Latvia, 58% Latvian (CIA 2006).

Still, Finland offers a precedent for transformation of political culture (or, possibly, an argument for historical/structural inevitability). Unlike the rest of Scandinavia, which underwent a gradual and non-violent transition to political and social democracy, Finland went through a civil war, won by the conservatives with the assistance of Imperial Germany. It was short and casualties low -- 3-5000 on each side, but as brutal as civil wars often are: in its aftermath, the victorious Whites executed 8,000 of their opponents and confined another 80,000 in concentration camps where 12,000 died of hunger and disease. Of the 92 Social Democratic members of parliament elected in 1917, 5 were executed, 40 ended up in the camps, 45 fled the country, and 2 were permitted to return to parliament (Jussila, Hentilä, and Nevakivi, 1999, pp. 111-12, 121). What a contrast to the fate of the Social Democratic parliamentary delegations of the same period in Denmark, Norway, and Sweden!

Yet even so, by the 1970s Finland was clearly converging on the Scandinavian model,

though voting continued to reflect which side of the civil war your grandfather had fought on. By 2000, it was hard to distinguish Finnish policy from that of the rest of Scandinavia except – possibly – to argue that Finland was “more Scandinavian” than the rest of the Nordic region.

It is worth noting that it took half a century, however. Political culture can change, but it takes a couple of generations.

Works cited

Andersen, Jørgen Goul. 1996. *Membership and Participation in Voluntary Organizations in Scandinavia, in a Comparative Perspective*. Aalborg: Centertrykkeriet.

Arnold, Thurman. 1936. Review of *The Middle Way*, *Yale Review* vol. 25 (Spring).

Banfield, Edward. 1958. *The Moral Basis of a Backward Society*. Glencoe, IL: The Free Press.

Caldwell, Christopher. 2006. “Islam on the Outskirts of the Welfare State.” *New York Times Magazine*. (5 February).

Childs, Marquis. 1936. *Sweden: The Middle Way*. New Haven, CT: Yale University Press.

Central Intelligence Agency. 2006. World Factbook. Accessed 3/19/06 at <http://www.cia.gov/cia/publications/factbook/geos/en.html>

Einhorn, Eric S. and John Logue. 1989. *Modern Welfare States: Politics and Policies in Social Democratic Scandinavia*. New York: Praeger.

Einhorn, Eric S. and John Logue. 2004. “Can the Scandinavian Model Adapt to Globalization?” *Scandinavian Studies*. vol 76 (Winter), pp. 501-34.

European Union. Commission. 2005. *Eurobarometer 64* (Fall 2005). Accessed 3/19/06 at http://europa.eu.int/comm/public_opinion/archives/eb/eb64/eb64_en.htm

Galenson, Walter. 1949. *Labor in Norway*. Cambridge, MA: Harvard University Press.

Howe, Frederic C. 1921. *Denmark: A Cooperative Commonwealth*. New York: Harcourt, Brace.

Huntford, Roland. 1972. *Sweden: The New Totalitarians*. New York: Stein and Day.

International Labour Office. 2005. *World Employment Report 2004-05*. Geneva: ILO.

- Judt, Tony. 2005. *Postwar: A History of Europe Since 1945*. New York: Penguin.
- Katzenstein, Peter. 1985. *Small States in World Markets*. Ithaca, NY: Cornell University Press.
- Koskela, Eriikki and Roope Uusitalo, 2004. "Unintended convergence – how Finnish unemployment reached the European level," *Bank of Finland Discussion Papers* (no 6)
- Logue, John. 1999. "The Swedish Model: Visions of Sweden in American Politics and Political Science," *The Swedish American Historical Quarterly* Vol. 50, No. 3, pp.162-172.
- Meyerson, Per-Martin. 1985. *Eurosclerosis – The Case of Sweden*. Stockholm: Federation of Swedish Industries.
- Nannestad, Palle. 1991. *Danish Design or British Disease*. Århus: Århus University Press.
- Nickell, Stephen. 1999. "Finnish Unemployment: A View from Outside. *Finnish Economic Papers* – Volume 12, no 2 (Autumn), pp. 62-81.
- Osmanis, Jack W. 1998. "The Finnish Depression of the 1990s: Causes, consequences, and cure. *Scandinavian Review*. (Spring).
- OECD. 2005a. *OECD in Figures 2005*. Paris: OECD.
- _____. 2003. *OECD Economic Surveys: Denmark*. Paris: OECD
- _____. 2005b. *OECD Economic Surveys: Denmark*. Paris: OECD
- Pohjola, Matti. 1999. "Finnish Unemployment: Introduction and Conclusions." *Finnish Economic Papers*, vol. 12, no. 2 (Autumn). Pp. 59-61.
- Putnam, Robert D. 2000. *Bowling Alone : The Collapse and Revival of American Community*. New York : Simon & Schuster.
- Schwartz, Herman M. 2001. "The Danish 'Miracle:' Luck, Pluck or Stuck?" *Comparative Political Studies*. Vol. 34 No. 2, (March). Pp. 131-155
- Der Spiegel*. 1972. "Schweden -- Modell für Bonn? Blick auf Schweden – Blick in die Zukunft." No. 42 (October 9): 122-145.
- Stokes, Bruce. 2006. "Jobless, the Danish Way." *National Journal*. (March 6).
- Strode, Hudson. 1949. *Sweden: Model for a World*. New York: Harcourt, Brace.
- Tomasson, Richard. 1970. *Sweden: Prototype of Modern Society*. New York: Random House.

World Bank. 2001. *World Development Report 2000/2001*. Oxford: Oxford University Press.

Wyden, Peter. 1959. "Sweden: Paradise with Problems." *Saturday Evening Post* (December 19): 22-23, 64, 67.