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I was asked to speak on Scandinavia's experience of social democracy. For the sake of expediency, however, I would like to exemplify the topic on the basis of the Norwegian experience, without making comparisons with Denmark and Sweden.

I believe a prudent beginning for a discussion of social democracy is to try to establish, as clearly as possible, what the term actually implies. I would therefore remind you that throughout most of the history of the movement, the term has referred to socialism with democracy—as opposed to Communism, which was socialism complemented by a "dictatorship of the proletariat". Yet most of those who call themselves social democrats today have actually abandoned socialism and thus renounced the historical socioeconomic basis for their own ideology.

As the concept of social democracy has thus been drained of substance, the retreat has been veiled by imbuing the term with a new meaning: Social democracy is now often defined as democracy featuring a comprehensive social policy and equality.

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Actually, the history of ideas would describe this manoeuvre as somewhat lacking in candour. One must bear in mind that catchwords such as "freedom, equality and brotherhood", used by Gro Harlem Brundtland to define social democracy, were the slogans of the bourgeoisie during the French revolution. Moreover, it was conservative parties that introduced social reform, although social democrats later assumed a role as a motive force for those efforts. At any rate, these revamped definitions are an attempt on the part of social democrats to foist their own trademark on common perceptions.

Should we prefer to limit a review of the social democratic experience to the years following World War II, we can find an explanation of basic social democratic views in the "Guidelines for the Norwegian Labour Party's Platform", written in 1945. At that time, social democrats strongly opposed freedom of trade and industry, demanding state and cooperative ownership, and insisting on close state control of companies and industries that were to remain in private hands. The State was to determine prices, credit, major investments, exports and

imports, and ensure stable, low interest rates. The social democrats believed that this was the only way to ensure the rational exploitation of society's resources, including its human resources. The goal was full employment. A planned economy was to replace market forces, not as a time-limited stopgap measure, but as a lasting new socio-economic order. This programme shows clear vestiges of the thinking of pre-war ideologists like Ole Colbjørnsen and Axel Sømme, while the leading post-war ideologist was the lawyer Erik Brofoss.

However, the planned economy broke down when it encountered the real world. Norway reluctantly agreed to the liberation of world trade -well compensated by the Marshall Plan. One pragmatic force behind liberalisation was the economist Arne Skaug. He realised that without control of foreign trade, it was impossible to implement a full-scale domestic control system. Accordingly, even Einar Gerhardsen had to begin to dismantle the social democratic elements of his party's domestic policy, under the slogan to which social democrats so successfully resort when implementing drastic policy changes, namely "steer a steady course". Nonetheless, it took so long to curtail the policy of close government control that a large part of the task still remained when the Conservatives came into power in 1981.

But long before that, the social democratic party felt the need to tidy up its own intellectual heritage. The party's leading ideologist in the 1950s and 1960s, Torolf Elster, later head of the social democratic state broadcasting monopoly, eventually found it so hard to find concrete meaning in the party's salute to the colours that he declared "Socialism is the name of the policy that the Norwegian Labour Party pursues at

any given time". In other words, when the Labour Party came out in favour of socialism-like today, when they call themselves social democrats-it is no more than a declaration of support for their own policies. I believe anyone would be hard pressed to find an example of anything less informative.

While state management was once an emotive issue, Norway's alleged social democrats can now look back on the closure or sale of a number of state enterprises. On the other hand, under the social democratic government, the state has become the majority shareholder in the biggest commercial banks. This is not ascribable to fidelity to the socialist ideology, quite the opposite, in fact. The banking crisis that precipitated the state bail-out of the banks was intensified when the social democratic government contributed to a brutal rise in the real after-tax interest rates absolutely contrary to the fundamental ideas expressed by social democrats. The high real interest rate made it impossible for many bank customers to service their debts, with the result that the banks had to book astronomical losses and required so much capital that the state was their only resort in the light of the shortage of fresh capital at the time. On the other hand, residual social democratic beliefs may be contributing to the preservation of the involuntary stakes the state holds in the banks -and to preserving public domination throughout Norway's educational system and crisis -racked healthcare system.

Following obstinate ideological resistance to floating interest rates, it appears that social democrats have now converted to greater reliance on interest rates in controlling the economy than true conservatives would ever recommend. The

conservatives have ideological grounds-which are, unfortunately, not always followed -for avoiding a large government deficit. On the other hand, social democrats' taste for high public expenditure readily leads to large deficits and a corresponding need to borrow money, which in turn boosts interest rates.

Meanwhile, social democratic ideas regarding close state control of business and industry have been replaced by the opposite school of thought, i. e. emphasis on the responsibility of trade and industry for their own survival and the freedom of action they require. The liberalisation of price formation is now virtually complete.

Social democratic tax policy offers other examples of drastic turn-about. Until recently, social democrats gave their whole-hearted support to the concept of progressive income tax. In other words, the higher the income, the higher the share of income that should go to taxes. But even that has changed now. People who not only have earned, but also report having earned millions of kroner, pay a lower tax rate than ordinary wageearners. This is due to yet another turnabout: While social democrats once felt that financial income should be taxed more severely than income from work, they have now changed their minds. And the term "financial income" is now defined so that it also applies to extremely high incomes from work, which are therefore taxed less heavily than lower incomes. However, observations indicate that such a transition to proportional or even degressive taxation, formerly considered quite reactionary, has not led to a more equal distribution of pre-tax income. In other words, it appears that the gaps between people are widening once again under what is now called social democracy.

Even after these fundamental transmutations, social democracy is still characterised by demands for a large public sector, entailing high public expenditure. This too is changing, though: In recent years social democrats have tried to keep growth in public expenditure below GDP growth. Conservatives can only hope that they will succeed.

One surviving vestige of the old social democratic ideology is the attraction of the corporative state. The idea that labour unions should wield political power was strongly supported by original social democrats such as Martin Tranmæl. This way of thinking has also been supported by others who have wanted extra-parliamentary power for the farmers and fishermen.

Recently, however, there has been a tendency to limit the influence exerted on the national budget by farmers and fishermen through their negotiations for state support. On the other hand, there is still a corporative tendency during collective wage bargaining between the employers' association and the Norwegian Confederation of Labour Unions, formerly the siamese twin of the social democrats. The state lets itself be pressured into allocating funds that are not consistent with the priorities of the elected representatives, for purposes agreed by non-parliamentary organisations, against a quid pro quo that entails that the organisations will not undermine the welfare of their own members by pressing for detrimental wage hikes. This is called "income policy cooperation".

When contemplating what other countries can learn from Scandinavian social democracy, it must be relevant to note that the social democrats themselves have supported the rejection of most of what used to be social democratic policy. In addition, it

might be interesting to seek answers to two important questions: Have social democratic administrations promoted a satisfactory standard of living? And have they been successful in the struggle for full employment?

It is often thought that Norwegians are among the most affluent people in the world. This is a misconception predicated on the fact that GDP comparisons with other countries generally evaluate Norway's currency more highly than its purchasing power at home would indicate. The 1990 Revised National Budget described the situation as follows:

"The high prices of goods and services mean that Norwegian households do not generally enjoy the same material standards as households in many other European countries. . . For example, in 1988 per capita private consumption was considerably lower in Norway than in France and West Germany, and somewhat lower than the EC average. . . The gap narrows only slightly when government-financed consumption is factored into the equation".

In other words, experience has shown that nearly 50 years of predominantly social democratic government have not raised Norway above the average European standard. When we also consider Norway's record-high exploitation of her unparalleled natural resources, this must be viewed as a poor result indeed. I would like to mention a few factors that may have contributed to this:

The high marginal tax rate posed on income and assets as a result of the social democrats' ideology of equality has been at odds with rational spending by business and industry, undermining the will to work hard and save in financial assets. While the recent tax reform has reduced these problems, no

reform can eliminate the damage wrought by high taxes on the rationale which underlies socioeconomics. In 1988 the Steigum Committee, comprising experts of all political colours, presented a very thorough report entitled "The Norwegian Economy in flux", which confirmed that transferring funds from the private sector to the public sector inevitably leads to a loss of efficiency in the economy. As a share of GDP, public expenditure-which ultimately determines the level of taxation-is considerably higher in Scandinavia and the Netherlands than in other countries.

In the final instance, high public expenditure comes out of the pockets of business and industry. Consequently, despite its moderate standard of living by western standards, Norway has had some of the highest production costs in the world ever since the 1970s. Total hourly labour costs in Norway are still approximately 10 per cent higher than the average labour costs of our trading partners.

Moreover, social democrats' unwillingness to let the market determine interest levels, which lasted until 1987, combined with the political steering of large parts of the investments made by business and industry, have failed to result in the most profitable use of capital. During much of the post war era, the fear of losing jobs has led to a long series of large-scale industrial rescue operations, at the expense of investment in activities with a greater potential.

All these factors have led Norway's industrial production, with the exception of the oil industry, to be lower in the early 1990s than in 1974, compared with an average rise of some 30 per cent in the other European OECD countries during the same period. The rise in Norway's GDP is largely a "pumped up" figure, "pumped up" that is,

from the country's oil and gas reserves. Petroleum sales are booked as income despite the fact that they are, to a large extent, the "consumption of assets". Moreover, the statistics are exacerbated by the increased production of services based on the cash flow from these subsea resources. In other words, Norway's standard of living is not only moderate, it is also based on the depletion of non-renewable resources. This does not represent sustainable, long-term development!

As regards agricultural policy, extreme protectionism and subsidisation have impeded the transition to a more rational utilitarian structure, thus impairing productivity. The fishing, fish-farming and fish processing industries have also been subjected to extensive government and organisational intervention, retarding productivity growth and preventing the addition of further value to outstanding raw materials, but, I am happy to observe, not preventing significant growth in the production of the raw materials for which Mother Nature has so generously provided.

Although the opportunities to achieve affluence in Norway have not been exploited optimally, statistics give the impression that the efforts to achieve full employment have been more successful. Upon closer examination, however, this area also gives cause for grave concern.

Unemployment began to be a major problem for Europe in the 1970s. In Norway, the risk of high unemployment contributed to the pursuit of a very expensive "counter-cyclical policy", which focused on raising individuals' standards of living and public expenditure to stimulate demand and thus strengthen employment. Further, as mentioned earlier, comprehensive rescue operations were conducted to save

companies in trouble. Eventually, too, considerable allocations were earmarked for "income policy cooperation", also mentioned earlier. The intention was to limit any "cost push" inflation that such expansive policies would otherwise entail.

In point of fact, however, this brand of social democracy sparked "demand pull" inflation and caused a drastic weakening of Norway's competitiveness. Thus the Government's Longterm Programme for 1994-1997 states that "from 1970 to 1977... Norway's cost-related competitiveness deteriorated by 37 per cent."

Subsequently, the social democrats introduced a wage and price freeze, which included suspension of the right to strike, a former cornerstone of their ideology. However, the cost-retarding effects of this drastic manoeuvre were of limited duration. The deterioration in Norway's competitiveness seen during the 1970s led the country into a de-industrialisation process from 1974 onwards, resulting in the loss of numerous jobs as companies and even entire industries disappeared.

Despite the discouraging results of earlier social democratic incomes policy, a similar policy has been pursued by the social democratic government since 1986, once again combined with brief, statutory regulation of wages and suspension of the right to strike. However, in contrast to the previous programme, since 1987 the social democrats have also pursued a very tight monetary policy, leading to new records in after-tax real interest rates, until recently accompanied by record-high unemployment. The result was significantly less wage growth, and a corresponding improvement in Norway's competitiveness. Yet it has not been determined whether the improvement was due to the economic

austerity policy and the unemployment level or to "income policy cooperation", or both. It is worth noting that the 1990 incomes settlement, when the brief, non-Socialist Syse administration refused to contribute government money to a solution, became, according to the most important social democratic newspaper "Arbeiderbladet", one of the most successful settlements-in terms of cost containment-during the entire post-war era.

As a weapon against unemployment, since 1989 the social democrats have once again sanctioned significant increases in public expenditure and direct public sector employment. During the 20 years from 1973 to 1993, total employment rose by approximately 20 per cent in Norway. Of the 343,000 jobs created, no less than 302,000 or 88 per cent of them, are in public services. More than 30 per cent of all employment in Norway is now in the public service sector, compared with 19 per cent just twenty years ago. Public sector employment is now nearly twice as high in Norway as the OECD average.

Meanwhile, employment in industry, with the exception of oil activities, has been reduced from 403,000 to 293,000, i. e. by 27 per cent, which is a considerably sharper reduction than the EU average (18 per cent from 1972 to 1992). As a result, industry currently employs only 14 per cent of all occupationally active people, the lowest figure of any Western European country. According to the Confederation of Norwegian Trade and Industry, 30,000 jobs in industry are dependent on oil activities. This means that only 13 per cent of Norway's occupationally active residents work in non-oil-dependent industry: De-industrialisation has come far, and may go

even further if Norwegian food processing operations were to be reduced as a result of international competition. After all, such competition is to be expected.

It is crucial to realise that an exceptionally high share of the employment in Norway is financed from the public purse, which is in turn financed to a large extent by oil revenues. This cannot be called sustainable financing. Nor can it be called a favourable employment situation, even though Norway's unemployment figures are currently less unfavourable than those of many other Western European countries.

Norway's tremendous public expenditure is being financed by pushing burdens into the future at an alarming rate. Norway's central government budget until 1995 shows a significant deficit, despite the formidable revenues generated by oil and gas production, where, by the way, production is being forced so severely that it is 70 per cent higher than the 90 million tonnes of oil equivalents previously seen as the norm for responsible, longterm resource management. The social democrats are spending the national financial reserves built up by the non-Socialist government during the early half of the 1980s.

Some time after the turn of the millennium, the high public spending can lead to insurmountable problems for future generations, as they will be facing the depletion of the nation's oil and gas resources. To make matters worse, coming generations will also be burdened with paying the pensions of the generation that left them without the resources to pay the bill. Social democracy has developed a new dimension: It has copied the shortsightedness often seen in the private sector, which is utterly untenable when one has a country to run.