Nordic Exceptionalism: The Evidence in Economic and Social Spheres

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Comparative Political Economy and the Nordics

Comparative Political Economy long ago identified the exceptionalism of Nordic welfare systems. Esping-Andersen’s *Three Worlds of Welfare Capitalism* (1990) famously contrasted the social democratic welfare regime in Nordic countries with ‘liberal’ and ‘conservative’ regimes found elsewhere.

However, more recently scholars have explored the uniqueness of the Nordic countries with respect to their:

- Economies (de Mooiig and Tang, 2003; Pontussen, 2008; Busemeyer and Iversen, 2012)
- Lifelong Learning Systems (Green et al. 2006; Rubenson, 2002; Wiborg; 2011)
- Social values and social cohesion regimes (Green et al, 2012; Rothstein, 2001; Wilkinson and Pickett, 2009; Uslaner, 2003)
Varieties of Capitalism
Binary models of ‘knowledge economies’:

Varieties of Capitalism literature traditionally identifies two types of Knowledge Economy (KE) referred to as:

- Liberal Market Economies (LMEs) v. ‘Coordinated Market Economies’ (CMEs) (Hall and Soskice)
- Shareholder v. stakeholder capitalism (Hutton)
- Stockmarket v. welfare capitalism (Dore)

In most analyses the first types are exemplified by the USA, the UK and some other English-speaking countries. The second type are variously represented by Germany, Austria, Japan and Sweden etc.

- LMEs characterised by shareholder firms, flexible labour markets, light regulation, lower taxes and spending, and skills and income polarisation.
- CMEs characterised by stakeholder firms, more regulated labour markets, higher taxes and spending and more equal skills and income distributions.
Social Democratic Economies

More recently researchers (de Mooig and Tang, 2003; Green et al. 2006) have identified Nordic countries as a distinctive group which achieve economic competitiveness (and high GDP per Capita) through:

- Innovation
- High labour productivity
- high employment rates

These characteristics are all seen as supported by universalistic welfare systems and high-trust societies.
Institutional Foundations of SDEs

• Family-friendly employment practises and pre-school education provision supports high female employment rates;

• Lifelong Learning and Active Labour Market policies (along with flexicurity systems in Denmark) promote employment, labour market flexibility, economic re-structuring, and KE work.

• Centralised wage bargaining leads to low pay differentials and promotes labour market solidarity (Busemeyer and Trampush; 2012; Nickel and Layard, 1998);

• Universalist welfare state and social cohesion promote high-trust and innovative work-places, productivity and economic growth (Castells and Himanen, 2002; Osberg, 2003; Lundvall, 2005).
Total employment rate

- SME 2007: 69.05, 2009: 69.61
- SDE 2007: 76.39, 2009: 74.75
- LME 2007: 69.06, 2009: 73.09
- UK 2007: 73.92, 2009: 72.47
- USA 2007: 74.65, 2009: 70.72
GDP per capita

<table>
<thead>
<tr>
<th>Country</th>
<th>2007</th>
<th>2011</th>
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<tbody>
<tr>
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<td>46072</td>
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<td>39459</td>
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<tr>
<td>USA</td>
<td>38642</td>
<td>48666</td>
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</tbody>
</table>
Unemployment Rates by Regime

- **SDE**: 4.81 (2007), 5.83 (2011)
- **LME**: 4.80 (2007), 10.27 (2011)
- **UK**: 5.24 (2007), 7.80 (2011)
- **USA**: 4.62 (2007), 8.50 (2011)
Public and private debt

- SME: Private debt 2009: 72, Public debt 2010: 75, Total debt: 147
- MED: Private debt 2009: 115, Public debt 2010: 75, Total debt: 190
Lifelong Learning System
The Nordic Countries – Education Institutions

• Near universal low cost pre-school education;
• Comprehensive all-through neighbourhood primary and lower secondary schools;
• Little streaming and setting;
• Little school choosing with schools very similar;
• High levels of participation in Upper Secondary;
• Extensive state-funded adult learning (including the adult folk schools and ALM policy);
• High average levels of skills;
• Narrow distribution of skills.
Social and Economic Effects of Nordic LLL

- Egalitarian school systems generate highly egalitarian educational outcomes and skills distributions which contribute directly to income equality and indirectly to social cohesion.

- Adult learning contributes to high employment rates and also to social inclusion through employment.
Average Scores at 15 on PISA by Country Group

Average scores 2009

- Social Democrats
- Liberals
- Social Market
- Mediterranean
- Japan
Participation of 16-65 Year Olds in Adult Education During the Previous Year. 1994-1998.
Skills Distribution
Skills Distribution at 15 (PISA)

- **Liberal**
- **Social Market**
- **Southern Europe**
- **Eastern Europe**
- **East Asia**
- **Nordic**

**Comparison between Variance 2000 and Variance 2009**
Percentage of Variation Explained by Student Background (ESCS) - 2009

- Liberal: 14.48
- Social Market: 16.48
- Southern Europe: 13.6
- Eastern Europe: 14.95
- East Asia: 9.8
- Nordic: 10.1
Score Point Difference Associated with One Unit on ESCS - Social Gradient

- US, UK: 48.5
- Anglo: 46.2
- Germanic: 44.83
- E. Asia: 35.5
- Nordic: 34.6
- S. Europe: 31.75
Social Outcomes
Social Outcomes in Nordic Countries

Social outcomes in Nordic countries:

• Low rates of violent crime
• High rates of political trust
• High rates of social trust
• Stable levels of tolerance (until 2005)
Political Trust, 1981 – 2005
Source: World Values Survey
Trends in Social Trust (WVS)
Trends in Tolerance, 1980 – 2005

Source: European Values Survey
Exceptionalism in Social Trust

• An analysis of WVS data on 55 countries Delhey and Newton (2005) suggests that Protestantism and ethnic fractionalisation together explain 46% of the variance in trust across countries. However, when you control for good governance and social spending, the significance of these factors declines markedly.


• Social and Political Trust were rising in the Nordic countries during a period when their societies were becoming much more diverse. Immigrants in Denmark, for instance, were 3.1% of population in 1980 but 10.6% in 2009.

• The most likely explanation of Nordic exceptionalism is the lower levels of income inequality combined with the more universalistic welfare systems.
Regimes of Social Cohesion

In our book on *Regimes of Social Cohesion* (Green and Janmaat, 2012) we identified three distinctive regimes of in the West:

- Liberal Regime (English-Speaking countries)
- Social Market Regime (north-wet continental Europe)
- Social Democratic Regime (Nordics)

The most distinctive of these was the Social Democratic Regime where social cohesion was strongly embedded in institutions and associated with high levels of equality and social trust.
## Postulated Social Cohesion Regimes in OECD Countries

<table>
<thead>
<tr>
<th>Liberal</th>
<th>Social market</th>
<th>Social-democratic</th>
<th>Confucian</th>
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<tr>
<td>low welfare</td>
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<tr>
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<tr>
<td>high gender eq</td>
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| US                           | Germany                         | Sweden                          | Japan                          |
| GB                           | France                          | Finland                         | South Korea                    |
| Canada                       | Belgium                         | Denmark                         |                                |
| Australia                    | Austria                         | Norway                          |                                |
| New Zealand                  | Netherlands                     |                                |                                |
|                              | Italy                           |                                |                                |
|                              | Spain                           |                                |                                |
### Regime indexes

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Why does Skills Inequality Matter for Social Cohesion?

Our research suggests that inequality in educational opportunities and outcomes has a significant effect on key aspects of social cohesion.

- Students who spend longer in mixed-ability classes are more likely to share basic values in areas such as tolerance and patriotism, regardless of their social or ethnic group.
- The more unequal the skills distribution among adults, the higher the rates of violent crime and civic unrest, and the lower the levels of social trust and civil liberties. For several of the indicators, these correlations also hold over time, suggesting that the relationships may be causal.

It seems likely that wide educational disparities generate cultural gaps and competition anxieties which undermine social bonds and trust.


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