

CHAPTER 5

Scandinavia: Still the Middle Way?

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SCANDINAVIA**Norway**

Population (million):	4.6
Area in Square Miles:	125,050
Population Density in Square Miles:	37
GDP (in billion dollars, 2005):	\$210.3
GDP per capita (PPP, 2005):	\$45,512
Not a member of EC/EU; joined European Economic Area	1992

Performance of Key Political Parties in Parliamentary Elections
of September 12, 2005

Centre [agrarian] Party (SP)	6.5%
Christian People's Party (KrF)	6.8%
Coast Party (Kyst)	0.8%
Conservative Party (H)	14.1%
Labour Party (DNA)	32.7%
Left Party (V)	5.9%
Progress Party (FrP)	22.1%
Socialist Left Party (SV)	8.7%

Main Office Holders: Prime Minister: Jens Stoltenberg—DNA (2005); Head of State: King Harald V

Sweden

Population (million):	9.0
Area in Square Miles:	173,730
Population Density in Square Miles:	52
GDP (in billion dollars, 2005):	\$286.1
GDP per capita (PPP, 2005):	\$31,691
Joined EC/EU	January 1, 1995

Performance of Key Political Parties in Parliamentary Elections
of September 17, 2006

Centre [agrarian] Party (C)	7.9%
Christian Democrats (KD)	6.6%
Green Party (MP)	5.2%
Left Party (V)	5.8%
Liberal People's Party (FP)	7.5%
Moderates (M)	26.2%
Social Democrats (SD)	35.0%

Main Office Holders: Prime Minister: Fredrik Reinfeldt—M (2006); Head of State: King Carl XVI Gustaf

Denmark

Population (million):	5.4
Area in Square Miles:	16,637
Population Density in Square Miles:	326
GDP (in billion dollars, 2005)	\$186.2
GDP per capita (PPP, 2005):	\$34,367
Joined EC/EU	January 1, 1973

Performance of Key Political Parties in Parliamentary Elections
of February 8, 2005

Danish People's Party (DF)	13.2%
Unity List-The Red Greens (ERG)	3.4%
Conservative People's Party (KF)	10.3%
Christian People's Party (KrF)	1.7%
Radical Liberal (RV)	9.2%
Social Democracy in Denmark (SD)	25.9%
Socialist People's Party (SF)	6%
Liberal [agrarian] Party of Denmark (VDLP)	29.1%

Main Office Holders: Prime Minister: Anders Fogh Rasmussen—VDLP (2001);
Head of State: Queen Margrethe II

Finland

Population (million):	5.2
Area in Square Miles:	130,560
Population Density in Square Miles:	40
GDP (in billion dollars, 2005):	\$164.5
GDP per capita (PPP, 2005):	\$31,367
Joined EC/EU	January 1, 1995

Performance of Key Political Parties in Parliamentary Elections
of March 16, 2003

Christian Democrats (KD)	5.3%
Finnish Centre [agrarian] Party (Kesk)	24.7%
Finnish Social Democratic Party (SD)	24.5%
Green Party (Vihr)	8.0%
Left Wing Alliance (Vas)	9.9%
Conservative Party (Kok)	18.5%
Swedish People's Party (RKP/SFP)	4.6%
True Finns Party (PS)	1.6%

Main Office Holders: President: Prime Minister: Matti Vanhanen—Kesk (2003);
Tarja Halonen—SD (2000)

The Rise and Fall of the Scandinavian “Middle Way”

The Scandinavian “middle way” first attracted international attention in the 1930s at the depths of the Great Depression, coinciding with an era when the fragile foundations of democracy were crumbling across Europe. Industrial capitalism based on “free markets,” as well as the still-shallow roots of political democracy, were threatened by a rising fascist tide on the right and a brutal but, for many on the left, attractive communist model in the Soviet Union. President Franklin D. Roosevelt’s 1933 perception of “a third of the nation, ill-clothed, ill-fed, and ill-housed” described most of the industrialized world. Out of this chaos came a unique welfare-state model in Denmark, Norway, and Sweden, offering a “middle way” between these extremes. It developed over time and out of an accumulation of experience. But if you have to pick a “birthday,” January 30, 1933, is our choice.

Copenhagen was cold and foggy in its mid-winter gloom. The political and economic situation was as bleak as the weather. Fully 40 percent of Danish wage earners—two out of five—were out of work in this gray third winter of the Great Depression.

The Danish Employers Federation had announced that it would lock out all union members still working on February 1 to enforce its demand on the unions for a 20 percent wage reduction. Farm mortgage foreclosures, following a general collapse of agricultural prices, cast a long shadow in the countryside. The Danish Social Democratic prime minister, Thorvald Stauning—a former cigar worker who had led the government briefly in the 1920s and formed another government with the center-left Radical Liberals in 1929 on the eve of the Depression—called an extraordinary Sunday-morning parliamentary session. The agenda was legislation to extend the national labor contract under which the unions worked, thus to stave off economic disaster. Behind closed doors, the government negotiated with the Agrarians and Radical Liberals to provide the necessary votes on the bill’s third reading the following day. When an acceptable compromise could not be reached, Prime Minister Stauning invited the negotiators home for what turned out to be a historic bargaining session.

The agreement that emerged in the predawn hours of January 30 in Stauning’s modest apartment in a city-owned housing block on Kanslergade called for four major actions:

1. an extension of the existing labor agreements without wage reductions;
2. a massive public works program to put the unemployed back to work and to provide winter relief for their families;
3. a devaluation of the currency to stimulate farm exports and agricultural price supports to stabilize farm incomes; and

4. a fundamental restructuring of the Danish patchwork of social insurance and poverty relief measures into a comprehensive program.

The exhausted cabinet members and Agrarian Liberal Party leadership announced the agreement to parliament and struggled through Monday evening to finish putting the deal together. Without realizing it, these Danish politicians were founding what would become known as the Scandinavian middle way.

This was, however, not the only portentous political event of January 30. South of the Danish border that same Monday, the German president, Paul von Hindenburg, facing the Weimar Republic's collapse into economic depression and political extremism, summoned a controversial, untried party leader to form a new government. The recipient of von Hindenburg's confidence was Adolf Hitler.

THE MEANING OF THE MIDDLE WAY

Hitler's Third Reich engulfed Europe in flames during the next decade, but it collapsed finally under its own aggressive and self-destructive impulses. The hard-won Danish "Kanslergade Compromise," by contrast, set the pattern for the modern Scandinavian welfare states that have far outlasted Nazism.

The Kanslergade Compromise called for wide-ranging state intervention to manage the market economy. The government became involved in setting wages and agricultural prices, establishing credit and exchange policy, and putting the unemployed back to work. It created a comprehensive economic security net for the unemployed and for all those out of the labor market. And, as a compromise between Social Democrats, Radical Liberals, and Agrarians, it broadened and cemented the center of the political spectrum.

In a way, events in Germany that day changed the very complexion of democratic politics in Scandinavia. Before Hitler's assumption of power, the Scandinavian Social Democrats—by far the largest party in Denmark, Norway, and Sweden—could reasonably strive to win a majority on their own to enact a socialist program, with the political polarization that would ensue. In Finland the Social Democrats had emerged from a civil war in a tie with the Agrarians for the largest percentage of the vote. But with Hitler's rise to power in the Weimar Republic, the handwriting was on the wall: compromise among democratic parties was vital.

As Hitler consolidated his power by crushing the German Social Democrats, the Communist Party, and the independent trade unions, in Sweden a new Social Democratic government quickly followed the Danish example by agreeing with center parties on minimum farm prices and a public works program to create jobs for the unemployed. The Norwegian Labor Party struck a similar deal with its Agrarian Party in 1935.

A compromise across the dividing line between socialist and “bourgeois” parties was a kind of defeat for the Scandinavian socialist and social democratic parties because it postponed indefinitely the achievement of true socialism. But cooperation did solidify democratic politics in a situation that threatened the very existence of social democracy.

Thereafter, Scandinavian compromise became much more than a tactic; it grew to be seen as virtuous in itself because it solidified a broad national consensus around democracy. The social democratic welfare state, interventionist and protective of the people, became a surrogate for socialism. Its principle was to achieve redistribution and broadly shared prosperity through compromises acceptable to the nonsocialist center parties. Moreover, compromise worked: state intervention in the collapsing market economy began to stabilize farm income, put the unemployed back to work, reduce conflict in the labor market, and offer hope to the Scandinavian peoples in despair over the Depression and the threat of German aggression.

Right and left faced off despite the Nazi threat in countries such as France. But in Scandinavia, a “national democratic compromise” started building what the Swedish Social Democratic prime minister, Per Albin Hansson, called “the people’s home”: a society that took care of all its citizens.

This Scandinavian model—an interventionist state managing the market economy toward a combination of growth, full employment, and large-scale welfare programs supported by agreement between employers and unions—was widely followed subsequently in Western Europe. In fact, it was the precursor of the Western European “postwar Keynesian consensus” after World War II. In the 1930s the U.S. journalist Marquis Childs (*Sweden: The Middle Way* [1936]) dubbed the Scandinavian accord “the middle way”—meaning a middle or third way between “savage” capitalism—i.e., the failed capitalism of the Depression era in the West—and Stalinist communism, the totalitarian regime then reigning in Russia.

After the war, the Scandinavian democracies continued to constitute a middle way in the Cold War ideological and geopolitical conflict, both in domestic and foreign policy terms. For many in the West (including the United States) the Scandinavian middle way was extremely attractive. A leading U.S. journalist, William L. Shirer, for example, in *The Challenge of Scandinavia* (1955), updated Childs’s account to describe the region’s blend of capitalism with a social conscience; private production would support full employment and an expanding social welfare network, and it would reduce social and economic inequalities.

In domestic policy, Denmark, Norway, and Sweden built advanced capitalist market economies in which the state played both a regulatory and a redistributive role. Under predominantly Social Democratic governments, the state’s role for a generation was far greater than in almost all of the other Western, capitalist democracies, although policy innovations in Scandinavia often set the pattern for policies elsewhere on the Continent ten or twenty years later.

During the Cold War, the Scandinavians sought a middle way in foreign policy as well. Although strong supporters of the United Nations, they recognized quickly its limitations. Efforts to fashion a Scandinavian defense union that would provide a viable military foundation for neutrality broke down in 1949, and on Scandinavia's western fringes, Denmark, Norway, and Iceland joined the North Atlantic Treaty Organization (NATO), although they often seemed reluctant members. Finland, which had fought World War II on the German side, signed a separate peace agreement with the Soviet Union in 1944; its neutrality was guaranteed by treaty. Sweden continued to pursue a neutrality policy that had kept it out of war since 1815. Defense strategists wrote of a "Nordic balance," in which Swedish neutrality between NATO in the west and the Warsaw Pact in the east guaranteed Finnish neutrality and independence vis-à-vis the Soviet Union and permitted Denmark and Norway to pursue a strategy of lowering tensions on the northern flank of NATO by refusing to allow foreign troops or nuclear weapons on their territory.

In international economic affairs, there was balance as well. Denmark joined the European Community (now the European Union) when Britain did in 1973, albeit reluctantly; the Norwegians, even more reluctant, voted narrowly against joining Europe. Sweden and Finland held that joining the European Community would compromise their neutrality. All four distinguished themselves by supporting international cooperation that reached across the dividing lines between east and west and between north and south.

Finland developed differently between World War I and World War II—primarily because of the bitter civil war between the "Whites" and the "Reds" in 1917–1918 that the conservative Whites won. Yet in the post–World War II period, Finland came increasingly to resemble the rest of the Scandinavian area in the realm of domestic politics, as it caught up in terms of industrialization, welfare, and living standards. Even its peculiar international position gradually assumed a more Scandinavian "balance."

All this changed at the end of the 1980s. With the end of Soviet dominance of Eastern Europe and the collapse of the USSR itself in 1991, the Scandinavian countries found their middle way questioned anew. What was it a middle way between?

The middle way that had served the Scandinavian countries so well domestically and internationally from the 1930s into the 1980s became confused amid economic crises and globalization, along with political discord at home. Sweden and Finland opted for EU membership and closer ties to Europe in 1995. The middle way's extensive public services, high taxes, and state regulation of the market economy were challenged as well by international economic integration and the growing predominance of free-market thinking. New interest groups and social changes, including new roles for women, an aging population, and significant non-European immigration, challenged the consensus.

The rest of this chapter analyzes the rise and fall of the Scandinavian model in domestic politics, in European integration policy, and in foreign policy generally.

A Social Laboratory

The Nordic countries are idiosyncratic in many ways. They are small in terms of population (see the data on the chapter's opening page). With the exception of Iceland (with a quarter of a million inhabitants), they are roughly comparable to medium-sized U.S. states. When compared to other members of the European Union, Sweden is about the size of Greece or Portugal; only Ireland and Luxembourg are smaller than Denmark and Finland.

Denmark, Iceland, Norway, and Sweden share common roots ethnically, linguistically, and culturally; and Finland—despite its distinct ethnic and linguistic origins—shares a common Nordic history and religion with them. Further, Denmark, Iceland, Norway, and Sweden also were distinguished by remarkable internal ethnic, racial, religious, and linguistic homogeneity. This aspect of Scandinavian societies, more than any other, made the development of the solidaristic Scandinavian model possible.

Until they begin to receive a substantial flow of immigrants in the 1960s, 97 to 99 percent of the population of each country shared the same cultural, linguistic, and racial roots. About 95 percent of the populations were Lutheran and belonged to the state church. As a consequence, politics and policy in all three countries focused for decades to a unique degree on economic and class issues rather than the religious, linguistic, and ethnic conflicts that often dominate other societies. However, a generation of immigration, much of it from non-European countries, has literally changed the face of Denmark, Norway, and Sweden. Today, more than one in ten Swedish residents were born abroad. For the first time in more than a century, “ethnic” and immigration issues have become a source of political conflict.

Historically, Finland has been substantially more divided domestically than its Scandinavian neighbors. The legacy of Swedish settlement and rule until 1809 and of Russian rule from 1809 to 1917 left a significant Swedish-speaking population on the southwest coast of Finland and a considerable Russian Orthodox religious minority. Moreover, Finland was torn by a bitter civil war in 1917–1918 between Reds and Whites. The former were radical socialists who sought to emulate Lenin's Bolshevik revolution; the latter were a coalition of primarily antiradical nationalists. The Finnish Whites, backed by German troops, won the war and interned their opponents in concentration camps for a number of years. Half a century later, how Finns voted in national elections still was closely tied to which side of the civil war their grandfathers had fought on. Unlike Denmark, Norway, and Sweden—where the communists played a major role only immediately after World War I and World War II—the Finnish labor movement was split down the middle between communists and social democrats, by the civil war and its aftermath. This division prevented the social democratic dominance in Finland that Denmark, Norway, and Sweden witnessed in the 1930s.

Box 5.1 Why Do the Scandinavian Welfare States Survive?

One mystery to Americans is how political support for the Scandinavian welfare states survives when ordinary working people have to pay 50 percent to 60 percent of their earnings in income and other taxes. When their taxes come due, why don't they rise up in anger and overthrow the government? After all, American taxpayers have rebelled at far lower rates.

The answer is, first, that the Scandinavian welfare states rest on the principle of *solidarity*. By contrast, welfare programs in the United States rest on the principle of social insurance (Social Security, Medicare, workers' compensation, unemployment insurance) or altruism (charity to the poor). The limit of social insurance is that we agree to insure ourselves against only those risks that we cannot afford, and altruism is even more circumscribed, limited to keeping the bodies and souls of the poor together. But solidarity—defined as “reciprocal responsibility and mutual obligation”—has permitted the Scandinavians to build far more elaborate structures of mutual support on a consensual basis.

Second, Scandinavian welfare measures are generally *universal* in scope, rather than means-tested. Thus both transfer payments (such as pensions, sick pay, maternity pay, family allowances) and social services (such as medical and dental care, home assistance for the elderly, free education through college, and day care and after-school care for children) are available to everyone in the category, whether they are poor, working class, or middle class. Transfer payments are usually taxed, so the post-tax benefit to the best-off is much less than the benefit to the worst-off. Fees for some social services, such as day care, also rise with income. But generally speaking everyone is in the same system and receives the same benefits. Every year, almost every family receives some benefits. As a witty phrase describes the situation, “the richest 90 percent help support the poorest 90 percent.”

Such universal programs are costly. Scandinavian public spending on social security transfer payments is 20 percent to 40 percent higher than elsewhere in Europe.¹ Rising take-up rates for social services such as day care and after-school care have continued to push up social welfare spending despite the financial constraints on public-sector spending. More disturbing, the self-restraint of the older generation about utilizing the welfare net is giving way to a culture of “entitlement” among the younger generation. Thus in Denmark, for example, statistics indicate that the young are sicker than the old, even taking into account legitimate reasons, such as taking care of ill children. Still, universal public provision of social services generally provides a higher standard and is cheaper than provision through employer-funded, private insurance schemes. The classic case is medical care, which is both far more costly (by about 70 percent) in the United States as a proportion of gross domestic product and less adequately distributed than in Scandinavia. Consequently, the Scandinavian countries' health statistics (infant mortality, life span, etc.) beat the United States by a wide margin. Likewise the “top 1 percent” in Scandinavia earn three or four times the median income, and not ten or more times as in the United States. Typical middle-class incomes are very similar to the U.S. level, while low-income groups in Scandinavia have a substantially higher living standard than in the United States: after-tax, after-benefit poverty rates in Scandinavia are only about a quarter of the U.S. rate.

Everyone pays, but everyone also benefits.

1. Accounting definitions make exact comparison difficult. Overall social expenditures in Germany, Belgium, and the Netherlands are roughly comparable to Scandinavia, with France not far behind. See William Adema and Maxime Ladaïque, “Net Social Expenditure,” 2005 ed., *OECD Social, Employment and Migration Working Papers No. 29* (OECD, 2005).

Geopolitical proximity to “big brother” Russia shaped the Finns’ national political agenda. Finland by itself fought a brave but doomed war against Russia in the winter of 1939–1940. Then, after Germany invaded the Soviet Union in June 1941, Finland reentered the war on the German side, exiting with a separate peace treaty in 1944. Russia held a major naval base on Finnish soil covering the approaches to Helsinki until 1956.

In the postwar period, the decline in the Swedish minority through assimilation and emigration to Sweden has diminished traditional ethnic and linguistic divisions, and memories of the Finnish civil war have gradually faded. Migration into Finland has been much less than that seen in most Western European countries. And, of course, Finland’s dangerous situation vis-à-vis Russia changed dramatically with the Soviet Union’s collapse. In the last thirty years, Finnish politics has converged increasingly with the general Scandinavian social democratic model.¹

DOMESTIC POLITICS: HOW DIFFERENT IS SCANDINAVIA?

Its location on the geographical fringe of Europe has meant that the Scandinavian countries have escaped some European developments entirely, while lagging behind on others.

Throughout most of the nineteenth century, the Scandinavians trailed western Europe in both industrial and political development. Industrialization came late, beginning only about 1855 in Denmark, 1890 in Sweden, and 1905 in Norway—a full century after England, Germany, Belgium, and France. Viewing nineteenth-century European political development in terms of three central themes—constitutionalism, nationalism, and democracy—the Scandinavians lagged behind in all but the first, with Sweden’s strong state and well-established constitutional traditions and Norway’s 1814 Constitution remaining the oldest written European constitution still in force. Nationalism first became a major impulse in Denmark following its confrontations with German nationalism along its southern boundary after 1848 and the loss of Denmark’s German duchies in 1864.² Norway enjoyed a national cultural revival in the 1880s, and its confrontation with Sweden over full independence in 1905 sharpened national feelings in both countries. Political democracy (parliamentary supremacy) came even more slowly: 1884 in Norway, 1901 in Denmark, and 1917 in Sweden and Finland.

Late development in these spheres meant that the economic basis for liberalism developed late. The agrarian and labor movements, which began in Scandinavia as elsewhere in Europe in the latter half of the nineteenth century, swept through the countryside and the new industrial towns like a prairie fire. Organizing in a virtual vacuum, the “popular movements” of family farmers and industrial workers built their own economic and political organizations, which claimed

the high ground of an egalitarian response to industrialization and political democracy. Thanks to the high literacy levels encouraged by Lutheranism and by state educational policies in the eighteenth and early nineteenth centuries, the democratic popular movements were led from below, and the tie between the leaders and the led remains close even today.³

Even as the Scandinavians lagged behind Europe in many areas in the eighteenth and nineteenth centuries, they led in one: the strong state. The Swedes developed in the sixteenth and seventeenth centuries what was probably the most modern state in Europe in terms of its capacity to govern, and Swedish military prowess from the Thirty Years War through Charles XII's misadventures in Russia reflected both the state's strength and the success of state-sponsored development of military industries. By the time of the establishment of modern political organizations and democratic institutions in the last part of the nineteenth century, the Scandinavians had a well-established tradition of a strong state and a professional civil service. The right saw the strong state as good in itself; the left, as a tool for reform.

These three factors—relative isolation, powerful popular movements, and a strong state—created the conditions for the Scandinavian middle way in the twentieth century.

Social Democracy and European Development: Success, Then Crisis

More than any other single factor, what set Scandinavian politics and policy apart was the predominant role played by the “popular movements”—farmers and labor—that represent the economically disenfranchised. Organizing from below in a virtual political vacuum in the latter half of the nineteenth century, farm and labor organizations swept the countryside, towns, and cities in an evangelical wave. In addition to the creation of the agrarian and labor parties, which came to be the great bearers of the democratic tradition, they created an immense economic and cultural infrastructure.

For the agrarian movement, the economic infrastructure was in the form of purchasing, processing, and marketing cooperatives that created the economies of scale that enabled family farmers to compete with the great estates. The cultural side was provided by the “folk colleges” that educated generation after generation of farm youth between the harvest in the fall and planting in the spring, the community centers in the countryside that offered everything from weekly dances to study circles and political debates, and the agrarian newspapers that preached egalitarianism in a class-bound society.

For labor, it was the trade unions in the crafts and industries; consumer cooperatives for everything from food to clothing to housing to funerals; every

kind of cultural group from chess clubs and marching bands to scouts, kindergartens, and adult education; and social democratic newspapers, which were the first Scandinavian mass-circulation papers.

Both agrarian and labor movements shared certain central values. These included egalitarianism, a belief in democracy, and a strong commitment to building their own institutions. Allied in the struggle for political democracy, farmers and workers had much that united them even when ideology—private property versus socialization of the means of production—divided them. It is not inconsequential that the Danish Social Democrats adopted land reform and support for small farmers as their agrarian policy in the 1890s, much to the chagrin of the more orthodox German Social Democrats who were otherwise the Danes' mentors.

This massive political organization preceded the establishment of parliamentary democracy everywhere except Norway, where it coincided with the democratic breakthrough. Because numbers had not counted previously in politics, the conservatives had never taken the trouble to organize. Consequently, they found themselves playing catch-up after the agrarian radicals' and labor movement's ideas had already won adherents from their tenants in the countryside and servants in the cities.

Scandinavian popular movements were most remarkable in the degree to which they drew their leadership from the ranks of the movement itself, rather than from the educated elite. The liberal agrarian parties were led predominantly by farmers and the labor parties by workers—not lawyers, teachers, civil servants, or priests. This kept them honest. Government for the people works best when it is by the people and of the people.

The combination of democracy from below—of leaders sprung from and tied to the organizations of those they lead—with relative ethnic and religious homogeneity, overarching agreement of basic values, and relatively small communities, offers powerful drivers for a cohesive, solidaristic welfare state based, as one turn-of-the-century trade union tract put it, on the principle of “reciprocal obligation or mutual responsibility.”

Despite such advantages, nineteenth-century Scandinavia was a poor, class-ridden, and static region, as reflected in the waves of immigration to North America that also contributed to rapid social changes. Millions of Swedes and Norwegians as well as many Danes and Finns simply left for new opportunities. At first this removed considerable political and economic pressure, but later it stimulated interest in social, economic, and political reforms even among national conservatives. Knowledge of better economic opportunities abroad and the success of democratic government in North America and later Britain encouraged domestic reformers in both the labor and agrarian movements. Nationalists recoiled at the loss of youthful and energetic citizens.

Out of these conflicts emerged a civil society of the strongest sort. Citizens in the popular movements connected in a myriad of voluntary associations that

mediated between them and the state and also provided direct economic, cultural, and social benefits. Organizing successfully around these associations, popular movements ultimately also captured state power. The state was transformed, beginning in the 1930s, to offer many of the benefits that the voluntary organizations had themselves previously provided. In the last thirty years, the welfare, educational, and regulatory functions of the popular-movement organizations were transferred to public administration, and many of the social and cultural functions previously provided by the popular-movement organizations were taken over by local and national government and provided by public employees instead of movement members. This generalized those social services to all the people, but it removed them from control from below. This also left the popular movements—especially the social democratic labor movement—dependent on control of the state to achieve their objectives.

For a half century, this approach was remarkably successful. The existence of a strong state and the tradition of an honest and professional civil service offered the mechanism for building a more egalitarian society. Principles of Keynesian economics advocating job-creating public programs were independently developed by Scandinavian economists during the Depression. Cautiously applied, they offered a route to use the state to improve the performance of capitalist market economies. The combination of the two provided the means to solve the classic problem of industrial capitalism—great and pervasive poverty amid great wealth—without revolution, by a lasting commitment to spread growth more equally than the existing distribution of wealth and income. That commitment lay at the core of the Kanslergade Compromise and the subsequent, similar national compromises in Norway and Sweden. It was driven forward politically by the Social Democrats with what proved to be a virtually unparalleled grasp on power in democratic elections.

Within the lifetime of a single generation, this commitment transformed Scandinavia from a region of great poverty—characterized by the immigrants’ “flight to America”—into societies of widely shared affluence. The image of “the fortified poorhouse,” as the title of Zeth Höglund’s book characterized the Sweden of 1913, gave way to Per Albin Hansson’s view of Sweden as “the people’s home” in the 1930s as class struggle gave way to national construction under social democratic government. By the 1960s, Sweden and Norway, which had been among the poorest European countries some fifty years earlier, were among the most affluent. The slums and poverty were gone.

The Scandinavian success relied on the use of the state to achieve broad economic goals, and that rested on the assumption that the nation-state was the relevant unit for economic policy. That certainly was true following the collapse of the international trading system in the 1930s, which was anomalous given Scandinavia’s long global trading history. It was equally true in the reconstruction after World War II. But by the 1960s and 1970s, as growing national affluence transformed the lives of the working class, the Scandinavian countries once

again become fully enmeshed in an interdependent global trading system. This development accelerated prosperity but brought vulnerability to the oil crises of the 1970s and the ever more invasive global business cycle.⁴

Political Democracy Scandinavian Style

Denmark, Norway, and Sweden share a great deal in terms of political structures and political actors. Finland is different historically, but it has converged on the other three countries in the postwar period.⁵ Much of what they have in common stems from their similarities in terms of cohesion, as discussed earlier. Some of it stems from their close ties in the Nordic Council and various European organizations, which facilitated diffusion of political ideas. The Scandinavian labor movements and the Social Democratic Parties have interacted especially closely over the years.

POLITICAL INSTITUTIONS

All four countries are parliamentary democracies. All are clearly democratic in the sense that regular elections determine who holds political office and what policies are made. All are parliamentary systems in the sense that parliament—the legislative body—is the most important branch of government.

Denmark and Sweden are pure parliamentary systems. The legislative majority selects the executive (the prime minister and the cabinet) and can force the executive out by a vote of “no confidence.” In both cases, parliament is the ultimate arbiter of the constitutionality of its own legislation, although a variety of checks are imposed on parliamentary abuses of power, as we will discuss. In neither country do courts review the constitutionality of parliamentary legislation, as the U.S. Supreme Court does, but their membership in the EU has injected substantial portions of EU law into their national legal systems. National courts enforce these European laws.

Norway also is a parliamentary democracy, but it has a modest tradition of judicial review, and the Norwegian Constitution, dating back to 1814, prevents calling early elections, which is otherwise a standard characteristic of parliamentary government.

Finland has a mixed presidential-parliamentary form of government, not unlike that of France in the Fifth Republic. The president, who heads the executive branch, is directly elected by a popular vote (prior to 1994, Finnish law provided for indirect election) for a six-year term and directs foreign policy, commands the armed forces, and can dissolve parliament. A new constitution entered into force in 2000, and it clarified and strengthened the primacy of the

prime minister and the cabinet, which are selected by the parliament. Together the executive cabinet, led by the prime minister, and parliament share primary responsibility for domestic and EU affairs. Parliament can force the cabinet from office by a vote of “no confidence.” In practice this division has made the prime minister the most important part of the executive branch in terms of policymaking, but there certainly were times during the Cold War when the president’s role overshadowed that of his prime minister. There is no national judicial review of the constitutionality of legislation, but again national courts frequently enforce the supremacy of EU law.

Despite the multiparty system—today seven to ten or more parties are represented in the national parliaments—and the rarity of single-party majorities, the Scandinavians have had stable and effective government because they practice what Dankwart Rustow called “the politics of compromise” in his 1955 classic of that name (*The Politics of Compromise: A Study of Parties and Cabinet Government in Sweden*). Scandinavian government is coalition government, sometimes through multiparty governments and at other times through bargains worked out in parliament between a minority government and other parties whose agreement has been attained on an issue-by-issue basis.

Although Denmark and Sweden maintained an upper house of parliament until 1953 and 1970, respectively, all four now elect a unicameral—single-house—parliament. The Norwegian parliament (Stortinget), divides into two bodies to consider certain types of legislation, although most proceedings take place in the plenary parliament. In all parliaments, much of the detailed legislative and oversight work and most of the necessary multiparty compromises are worked out in standing committees. There are usually parliamentary committees for each governmental ministry, plus some with special competency (constitutional affairs or relations with the European Union). Parties are represented on committees in proportion to their overall strength, but coalitions are usually required for any significant actions. Most proceedings are in secret, precisely to encourage interparty compromises, but occasional hearings are held publicly and there are increasing demands to “open up” the parliamentary processes to greater media scrutiny.

In all four countries, a proportional representation system is used in electing parliament. Thus, all parties of significant size are represented in parliament with approximately the same proportion of seats as they have support among voters. Although proportional representation was introduced in an existing multiparty system and stabilized it for a number of decades, as new lines of division—including those over the European Union, the environment, and immigration—have come to the fore in recent years, this election system has permitted growing fragmentation in parliament.

The basic principle of parliamentary democracy—that the prime minister and the executive branch are responsible to the majority in the house of parliament with the broadest suffrage—was established in 1884 in Norway, while the

country was still under Swedish rule; in 1901 in Denmark; and in 1917 in Sweden. Finland established the same principle in 1917 with independence from Russia, but the losing side in the civil war was pretty much excluded from politics during the 1920s.

Denmark, Norway, and Sweden remain *constitutional monarchies*. Scandinavian monarchs took office within constitutional limits (Karl Johan in Sweden in 1809 and Norway in 1815; Haakon VII in Norway in 1905) or accepted them with relative grace (Frederik VII in Denmark in 1849). They proved more resistant to yielding the power to choose the prime minister to the elected parliamentary majority (1884 in Norway, 1901 in Denmark, and 1917 in Sweden), but here, too, they bowed to the winds of change. Although the governmental power of the Scandinavian monarchs is virtually nil today, they remain important symbols of national unity, above the lines of party or division by interest. In times of crisis, this symbolic role has had real political significance.

In Finland, the president has the symbolic role played by the monarchs as well as a more practical role in foreign policy. Although elected with a partisan affiliation, the Finnish president stands above party lines while in office. For more than fifty years (1939–1991) the presidents assumed a special role in managing relations with the USSR. This also enhanced presidential internal political powers.

All four countries have *unitary*, rather than federal, governments in the sense that all sovereignty resides in the national government, and the powers of the provinces and other subunits of government are derived from the national government. However, Finland provides far-reaching local autonomy for the Swedish-speaking Åland Islands, and Denmark provides even greater autonomy for Greenland and the Faeroe Islands, which have been granted the status of near independence. The Faeroes never joined the European Community, and Greenland, which acquired autonomy in 1979, quickly used its independence to withdraw from the European Community—the only territory to date to do so. In the past decade both have grown increasingly impatient with their ties to Denmark, but with no substitute in sight for the large budgetary subsidies that are sent from Copenhagen, the status quo will continue for a while longer.

Although power is clearly concentrated in the hands of the national government, many governmental services have been delegated to municipal and county government. Thus, most social services, including education, medical care, hospitals, and services for children, families, and the elderly, are provided by municipalities. Indeed, a higher proportion of governmental spending occurs at the local level in Scandinavia than at the state and local levels in the United States. Thus, within unitary states, the Scandinavians have thoroughly decentralized the provision of governmental services.

In order to make this decentralization effective, Denmark, Norway, and Sweden undertook similar consolidations of local government in the late 1960s and early 1970s. The consequence was to cut the number of local governments

by half in Norway, three-fourths in Sweden, and four-fifths in Denmark. (In Finland, a similar consolidation was blocked, and the number of local administrations was reduced only by about a sixth in this period.) Generally speaking these reforms were successful in establishing the capacity to expand social services in smaller towns and rural areas, but they undercut the relationship between citizens and their government in rural districts. Although the density of elected officials remains high in Scandinavia by comparison to most other democracies, it is much diminished in comparison to the past.

Local and regional governments enjoy substantial taxing powers, but their dependence on budgetary transfers from the central government and the standardization of social, educational, and other local services has constrained their autonomy. Another major consolidation of local and regional governments is scheduled for 2007 in Denmark and under discussion in Norway.

One striking aspect of Scandinavian politics is the degree to which government and the civil service are seen as national resources. This is a result of a convergence of causes. Scandinavian conservatives have traditionally supported a strong state as an instrument of national development. Popular movements, including especially the social democratic labor movement, have seen the government as a mechanism to generalize their egalitarian goals to the entire society. General antigovernment or antistate movements have always been weak. The distrust of government that we see across the political spectrum in the United States has generally been absent in Scandinavia. Furthermore, Scandinavian public administration generally has been deserving of citizen respect: its bureaucrats have been self-effacing, efficient, and honest.

However, that popular belief in the benevolence of public administration does not extend to the transnational public-policy dimension. The European Union's multitudinous rules and regulations frequently strike most Scandinavians as downright arcane. For example, the European Union promulgated measures regulating the size of strawberries and curvature of cucumbers shortly before the 1992 Danish referendum on the Maastricht Treaty; an effort to harmonize the dimensions of condoms, however, foundered on Italian opposition. One acerbic Danish placard during this referendum put it succinctly: "If you think there are already enough idiots running your life, vote no!" As EU regulations become targets for public ridicule and additional policy responsibilities shift from national capitals to distant EU institutions, the problem of the "democratic deficit" will become more acute.

POLITICAL ACTORS

Scandinavian democracy historically has been based on strong, disciplined, mass-membership parties, which organize hundreds of thousands of voters as dues-paying party members. Parties have structured political competition at the

local as well as the national level. They provided channels for recruiting political leaders; the career pattern was to start by running for the local municipal council. Municipal office or parliament followed for those who proved themselves. Regular local party meetings ensured close contacts between the elected officials and their party constituency. Because the parties offered different policy choices in the election campaigns, they allowed citizens a means to control not just the people in government but also the policies of government. Problematic for democratic participation has been an accelerating decline in party memberships. Social Democratic Parties, which no longer automatically enroll union members, account for much of this decline, but all traditional parties have been hit.

The parties have been complemented by equally strong interest groups that organize workers, farmers, and employers. These groups, which we will look at, have typically been closely linked to individual parties. The unions have traditionally been Social Democratic (except in Finland, where they were hotly contested by the Communists), the farmer organizations have been the mainstays of the agrarian parties, and the employers have typically had a looser association with the Conservatives. Unlike many Western countries, Scandinavian labor unions have maintained their remarkably high memberships (often over 80 percent of blue- and white-collar employees). While most are rather passive members, organized labor remains a strong political actor.

PARTIES AND PARTY SYSTEMS

From the origins of parliamentary democracy at the turn of the century to the 1970s, the predominant pattern in all four countries was the five- or six-party system. On the right was the Conservative Party, which had been late to organize a mass base because it had wielded the levers of power on behalf of the elites and propertied classes before the democratic breakthrough. In the center were the nineteenth-century proponents of democracy: the Liberals and the Agrarians. To the left of center were the Social Democrats, their junior allies in the nineteenth-century push for democracy. The Social Democrats outgrew the coalition by the mid-1920s and typically polled about 40 to 45 percent of the vote from the 1930s through the 1970s. On the extreme left were the radical socialists—Communists from the 1920s through the late 1950s—and the Socialist People's Parties, which displaced the Communists in the late 1950s and early 1960s in Denmark and Norway. The remaining communists in Sweden and Finland became increasingly independent of the Soviet Union after 1960 and evolved into "radical socialist" parties by the 1980s.

There were also some variants on this general theme, especially in the center of the political spectrum. The accommodating proportional representation system allowed small parties to gain parliamentary seats on issues such as prohi-

bition, land taxation, and cultural distinctions. The Finns had a Swedish People's Party to represent the Swedish-speaking minority. The Norwegians supported a strong Christian People's Party, which was culturally and religiously conservative but centrist in economic terms. It gradually grew into a major force in Norwegian politics. Over the past forty years similar parties have appeared in the other Nordic countries.

From the 1920s through the 1970s, the voters were roughly split between the parties of the right and center (the "bourgeois parties") on the one hand and the left (the "labor" or "socialist" parties) on the other. Although those with bourgeois leanings divided their votes among three or four parties of approximately equal size, the Social Democrats typically captured the lion's share of the labor vote—40 to 45 percent of the total—with the Communists/Socialist People's Party getting 5 to 10 percent. Numerically this gave the Social Democrats an obvious edge. Furthermore, because of the deep historical division during the struggle for parliamentary democracy between the Conservatives on the one hand and the Agrarians and Liberals on the other through the 1930s, the Social Democrats were able to form coalitions with the parties of the center once they put socialization of the means of production on the back burner after 1933.

Thus, the Social Democrats achieved a degree of hegemony in Denmark, Norway, and Sweden that was unparalleled in democratic elections. Social Democrats led the government of Denmark from 1929 to 1968 with only two breaks totaling four years (and two more during the German occupation); of Norway from 1935 to 1965 with a break of two weeks in 1963 and of five years during the German occupation; and of Sweden from 1932 to 1976 with a break only of a couple of months in the summer of 1936. They were able to use these extraordinary periods in government to reshape society through building an exceptionally strong public sector.

Finland constituted something of an exception. The Finnish labor vote (and trade unions as well) were roughly evenly split between the Communist Party and the Social Democrats, and they were direct political competitors. Consequently, the fulcrum of Finnish party politics was in the center, especially with the well-led agrarian Center Party. After 1960 the Communist-led electoral alliance vote declined, and it has taken a course similar to that of the radical socialists in the other countries and has been integrated into the parliamentary give-and-take.

The culmination of this period of Social Democratic construction of the Scandinavian welfare state was the reforms of the late 1960s and early 1970s, which expanded social services into rural areas and raised income replacement rates for the unemployed, sick, injured, and disabled from 40 to 50 percent of their market income to 70 to 90 percent. These reforms came on line just about the time the oil price shock of 1973–1974 set off a period of economic adjustment and economic globalization throughout the West. Social democratic ideas

and their carefully constructed tools of public economic management, as we will discuss, offered fewer answers in a global economy.

This relatively stable party system changed dramatically in the 1970s and 1980s. New protest parties arose on the right in protest against high taxes, growing immigrant populations, and the fact that the bourgeois parties that finally took governmental power in the late 1960s and 1970s administered the social democratic system rather than abolishing it; these were the so-called Progress Parties in Denmark and Norway and the New Democracy Party in Sweden. Finland had the somewhat similar but weaker protest parties, including the Rural Party (now known as the "True Finns"). There was further subdivision in the center. Denmark saw the development of a Christian People's Party and a Center Democrat split from the right wing of the Social Democrats. In Sweden, the Christian Democrats also broke into parliament. Environmentalist parties won seats in both Sweden and Finland, and the Danes and Norwegians both sent a few members to parliament from groups to the left of the Socialist People's Parties.

The consequence was that the relatively stable five- or six-party model of the 1920–1970 period has given way to a seven- or eight-party model in which the Christian Democrats in the center and a protest party on the right seem to be a permanent part of the parliamentary constellation today. The Scandinavian Christian Democrats have more of a "Sermon on the Mount" orientation than the rightist orientation of U.S. fundamentalists. Although socially conservative (especially on the issues of abortion, drugs, pornography, and alcohol), they are strong supporters of the welfare state, foreign aid, and restrained materialism. They show a remarkable streak of religious tolerance as well: although Christian Democratic voters are overwhelmingly devout, evangelical Lutherans, the Danish party was led for some years by a Catholic, and the Swedish party included a prominent immigrant Jewish physician among its leaders and members of parliament. (They have not taken ecumenicalism to the point of inclusion of Muslims yet, however.) Consequently, they have accommodated themselves easily to the give-and-take of parliamentary compromise.

The protest parties of the right have not, however, and they were initially kept outside the patterns of parliamentary coalitions. Driven originally by opposition to taxes and bureaucracy, they have in recent years become increasingly strident in their opposition to immigrants, particularly those racially or culturally distinguishable, such as Africans, Asians, and Muslims. For a long time they were "heard" but not "listened to." This began to change in the late 1990s as their electoral advances made them too large to be ignored. Nonsocialist governments in Norway and most recently in Denmark have counted on parliamentary votes from the "New Right." In local government the pattern is similar; once radical parties draw 10 to 20 percent of the vote, their political influence grows.

Although the division of the voters between the blocs long remained relatively even, there has been an increasing tilt to the right, especially when the rightist protest parties gained a growing share of working-class votes. Further, the Social Democrats were weakened by a seepage of voters to their left, especially over the issue of European Community membership in the 1970s in Denmark and Norway and European Union membership in 1994 in Sweden. For the current division of parliamentary seats among the parties, see Table 5.1.

The cumulative loss of Social Democratic votes since the 1980s has been 5 to 15 percentage points compared to the 1940s–1970s; even with proportional representation, this produces a significant shift in the parliamentary balance. The forty years of Social Democratic hegemony that began during the Depression came to an end. However, despite the increased party fragmentation, loss of part of their voting base, and a certain poverty of ideas, the Social Democrats remained the largest party in parliament in Denmark (until 2001), Norway, and Sweden. The Finnish Social Democrats have also been the largest parliamentary party for most of the post-1945 period. Although the Social Democrats have ceased to be the normal party of government, it was hard to govern against them, and they were perfectly capable of savaging governments of the right that tried to cut the welfare state.

One of the major consequences of the fragmented party system and declining Social Democratic hegemony has been the growing prevalence of minority cabinets. If we split the post–World War II period at the 1972 mark—the Danish and Norwegian European Community referendums—the Danes managed majority governments for 25 percent of the period prior to 1972 and 3 percent of the period since. The Norwegians had majority governments for 80 percent of the pre-1972 period and 10 percent of the period since. The Swedes mustered majority governments for 40 percent of the first period and only 11 percent of the most recent period. Finland remains committed to broad majority coalitions, which have accounted for nearly all its governments over the past thirty years. While one might think that this would produce political paralysis, the governments seem to function about as effectively as in the past.

There are three reasons for this. The first is the value, already discussed, placed on compromise, which makes minority government much less frustrating than it otherwise would be. The second is that various “radical” and “protest” parties on the political left and, more tentatively, on the right have become substantially less radical and more interested in participating in shaping legislation through compromise; Social Democratic minority governments can turn to their left as well as to the center for votes, while nonsocialists look to their right. The third is that, by and large, Scandinavian governments of the last twenty years have only undertaken major domestic reforms with broad parliamentary support extending well beyond the governing coalition.

Table 5.1 Party Parliament Strength in November 2006

<i>Country/Party</i>	<i>Seats</i>
<i>Denmark</i>	179
Social Democrats	47
Liberals*	52
Danish People's (rightist)	24
Conservatives*	18
Socialist People's	11
Radical Liberals	17
Leftists	6
Greenland and Faeroe Islands	4
<i>Finland</i>	200
Social Democrats*	53
Center (agrarian)*	55
Conservatives	40
Left Alliance	19
Swedish People's*	9
Greens	14
Christian Democrats	7
True Finns	3
<i>Norway</i>	169
Labor (Social Democrats)*	61
Conservatives	23
Progress (rightist)	38
Socialist Left*	15
Christian People's	11
Center (agrarian)*	11
Liberals	10
<i>Sweden</i>	349
Social Democrats	130
Moderates (conservatives)*	97
Liberals*	28
Christian Democrats*	24
Leftists	22
Center (agrarian)*	29
Greens	19

* In government as of November 2006

INTEREST GROUPS

The Scandinavian countries are the most thoroughly organized in the world. Practically everybody belongs to his or her economic interest organization. Manufacturers, shopkeepers, renters, farmers, workers, and students are all organized. Overall, 75 to 90 percent of all wage and salaried workers are union members, and farmer and employer organizational percentages are equally impressive. Schoolchildren, university students, priests, and military personnel each have their usually well-ordered group.

As this list suggests, Scandinavian interest organizations are divided primarily along economic lines. This mirrors the lines of political division in these societies. Moreover, the larger of the interest organizations, including both the trade union federation and the employers' organization, are sufficiently inclusive that they have to take broader, societal interests into consideration. Furthermore, until recently they were highly centralized: labor agreements were negotiated nationally between the national employer's organization and the national trade union organization. Recently collective bargaining has been decentralized by economic sector (e.g., metal industry, public-sector employees, etc.). In practice, unions and employers keep a close eye across the labor market, and contract provisions tend to move across it in similar directions. Thus, areas of conflict and cooperation spread across the economy and have immediate societal consequences.

As a result, the Scandinavian countries remain models of a peculiar kind of social democratic *corporatism*, in which interest organizations as a matter of course are integrated in making and implementing public policy. Some prefer to call the process "the negotiated economy." Interest organizations have highly professional staffs and constantly are encompassed in governmental commissions in designing policy, including the Swedish "remiss" system of formal consultation on major initiatives with all relevant interest organizations. It is a process of interest representation very different from Washington lobbying.

Not only are Scandinavian interest organizations involved in drafting policy, they implement it. Consider the national labor agreement, for example, in the years that a single overarching national contract for the private sector is negotiated: the unions and the employers, with the government as a third party, hammer out the contract, since the contract essentially determines wage formation for the period. The primary aim of the government, in terms of management of the economy, is to ensure that wage increases are noninflationary.

The practice of corporatism is eased by the small scale of the national political class in the Scandinavian countries. One faces the same people across the table. Working together becomes second nature. Economic globalization, neoliberalism, and, perhaps, European integration may create stress for this cozy but flexible structure. Structural economic changes, the relative decline of the industrial sector, and the rise in small enterprises also challenge the Scandinavian

corporatist model. However, the current international interest in the Scandinavian “flexicurity” (flexible labor markets, active public retraining, and generous social security systems) shows that corporatism has not been static.

RESTRAINING THE GOVERNORS

The concentration of power in unicameral parliaments and the presence of strong, disciplined parties not only permit effective and responsive policymaking but also raise the specter of majority tyranny. What prevents a unified parliamentary majority from running roughshod over all opposition? What prevents systematic abuses of citizen rights? In the United States, the system of government has been carefully designed to avert majority tyranny by the division of powers between the three branches of government—legislative, executive, and judicial—and between the federal and state governments. The court system is engaged in a continual review of governmental acts. The Scandinavians do not have those mechanical checks and balances built into their government institutions. They have developed a different set of checks on abuse of power and majority tyranny.

First, the ombudsman—a Scandinavian concept that has entered the English language and U.S. practice—serves as a standing, independent check on abuses of executive power. This position was created in the Swedish Constitution of 1809 as a parliamentary restraint on abuse of royal executive power; today it serves as a more general check on abuses throughout the executive branch. The Swedish ombudsman is elected by parliament for a four-year term and is empowered both to respond to formal citizen complaints and to initiate investigations on, for example, the basis of press reports. In recent years, the Swedish ombudsman has handled about three thousand cases a year; about 90 percent are citizen-initiated. Less prominent but even older is the institution of the chancellor of justice (*Justitiekanslern*) created in 1713 by King Charles XII. In March 2006 the chancellor’s office pressured Foreign Minister Freivalds to resign after she lied about her efforts to censor an anti-Muslim website. The modern media are also watchdogs: just after the change of government in Sweden in October 2006, two new conservative ministers were forced to resign when the press revealed unpaid taxes and radio/TV license fees.

The Finns added an ombudsman in 1919 at the birth of the republic on the Swedish model. The Danes added a parliamentary ombudsman in the Constitution of 1953, and the Norwegians established a similar office in 1962. The formal powers of ombudsmen are amplified by a strong tradition of parliamentary inquiry (both questions to the government and committee hearings) and investigative journalism.

Second, increasingly voter referenda have checked parliamentary majorities. This is most formalized in Denmark, which has held nineteen referenda since 1915; Denmark is second only to Switzerland in direct citizen votes on key leg-

islation, but there are no “initiatives” (citizen-proposed legislation). All constitutional changes go to a citizen vote (after having been approved by two sessions of parliament with an intervening election), any legislation except finance and tax measures can be sent to a vote by one-third of parliament, and any surrender of national sovereignty can be sent to a vote by one-sixth of parliament. Such provisions strengthen the hands of the minority vis-à-vis the majority. While Finland and Norway lack constitutional sanction for binding referenda (and Sweden limits it to constitutional changes), governments have always abided by voter decision except in the case of the Swedish referendum concerning which side of the road they should drive on (in 1955, despite the government’s recommendation and common sense, Swedes voted to continue driving on the left; in 1967 the government shifted without a referendum). Increasingly, highly divisive issues such as nuclear power (Sweden, 1980) and European Community/European Union membership (Denmark 1972, Norway 1972 and 1994, Sweden and Finland, 1994) and further EU integration (Denmark 1986, 1992, 1993, 1998, and 2000; Sweden 2003) have been decided by the people directly.

Third, two aspects of Scandinavian political culture tend to check parliamentary majorities. One is that facts count in Scandinavian politics. The policy debate, both in the media and the parliament, is couched in empirical terms. Demagoguery discredits the user, except, possibly, on the immigration issue. The other is that a value is placed on broader compromise. Part of the reason for this is purely practical: parties involved in the compromise will not reverse the policy when they are in government. But another part is the concept that legislation passed by narrow majorities is less legitimate than that passed by broad majorities. Thus there is a tendency to seek broader majorities than are necessary simply to pass legislation.

Finally, Scandinavian corporatism provides an open door in policymaking. Major legislative initiatives generally are preceded by governmental commissions that involve not only the political parties but all the relevant interest groups. Trade unions, employers, and farmers’ organizations are involved in practically all of these, and more specialized interest organizations take part in commissions in their spheres of interest. Such political transparency is reinforced by an active and diverse media and supplemented nowadays by the Internet. Thus major legislation on, for example, changing higher education involves teacher unions and student organizations as well as primary economic interest groups.

The Welfare State and Economic Stability

The Scandinavian responses to the economic crises of the 1930s marked a sea change in the role of the state. The old “night watchman state” provided national defense, justice, police protection, roads, and elementary education. The new

“welfare state” was to regulate the market economy to ensure full employment and growth and to provide social and economic security for those out of the labor market because of old age, sickness, unemployment, and disability and for families whose market income was small and number of children large.⁶ This is what political scientists have come to call the “postwar consensus,” but in Scandinavia it started before World War II, driven primarily by the predominant popular movements with more of an egalitarian perspective.

Scandinavian welfare states, like those in Europe generally, are not for the poor alone. They are a method of providing universal social services and economic security for the middle class as well as the working class and the marginalized poor. Practically all social welfare expenses are in the public sector. This includes family allowances, day care and after-school care, unemployment, health-care, maternity and sick pay, pensions, disability, housing subsidies, and social assistance. In the United States, by contrast, a number of these, including medical and dental care, maternity and sick pay, and the bulk of our pensions, are handled privately through employers. Unlike the U.S. provision of these services, which varies tremendously between occupational groups and among employers, Scandinavians universally receive about the same benefits.

In the postwar period, Scandinavian governments worked to achieve broadly shared affluence by two mechanisms. First, they sought to manage the economy to limit cyclical unemployment and to bring up the standards of the worst-off in the labor market by channeling capital investment and labor from the least efficient firms to the most efficient firms. The trade unions’ “solidaristic wage policy” was the most effective mechanism for this purpose. Over time, it raised the wages of the unskilled relative to the skilled and of women relative to men at the same time as it increased the overall efficiency of the economy.

Second, they sought to spread the dividends of economic growth more equally than the existing system distributed income and wealth. Those outside the labor market or in low-income groups gained, but no one lost absolutely. As a result, the policy enjoyed widespread political support, and social expenditures expanded rapidly.

Between 1960 and 1974, social spending as a share of GDP nearly doubled in the Scandinavian countries. The growth really was a product of substantial improvements in the social security net that included raising income-replacement ratios for the unemployed and the disabled, raising pension levels, and expanding some social services from urban areas to include rural areas. With unemployment at a minimal 2 percent level, it cost little to raise the income replacement ratio to 80 or even 90 percent of market wages. All this occurred during a period of prolonged economic growth and, generally speaking, shared the affluence of those in the labor market with those outside and those with low-income families in the labor market with numerous children. (See Table 5.2.)

By contrast, the 1974 to 1984 period was characterized by the two oil crises and the unpredicted combination of economic stagnation and inflation (“stagfla-

Table 5.2 Public Social Security Transfers as a Percentage of GDP, 1960–2004.
Average for Period

	1960–1973	1974–1979	1980–1989	1990–1999	2004
Denmark	9.5	14.0	17.1	19.1	16.9
Finland	6.6	11.2	13.9	20.3	16.8
Norway	10.3	12.9	12.7	15.9	15.0
Sweden	10.0	15.9	18.3	20.9	18.0
EU (15) average	11.4	12.3	16.5	17.3	
United States	6.4	10.2	11.0	12.6*	12.0

Source: Organization for Economic Cooperation and Development, *Historical Statistics, 1960–97*, *Historical Statistics, 1970–99*, *OECD in Figures 2005* (Paris: OECD, 1999, 2000, and 2005, respectively).

Note: *average 1990–1996.

tion”) in most Western economies. In Denmark, new social expenditures from the end of the good years finished coming on line, and there was also a rapid expansion of countercyclical social expenditures because of the bad times that saw unemployment rise from the frictional level of about 2 percent to 8 percent. Sweden continued to grow the national economy and hold down unemployment by expanding the public sector; this kept unemployment at 3 percent and restrained social spending for countercyclical programs but pushed some economic problems forward. Norway, blessed with North Sea oil, escaped the hard times. Finland’s economy benefited from continuing modernization and substantial trade with Soviet Russia and other eastern European states.

Rising social expenditures in a low-growth economy began to squeeze the tax base, private consumption, and capital investment. Increasingly since the 1970s, the Scandinavian countries have struggled with maintaining economic balance. Generous unemployment benefits protected living standards when the economy turned bad, but how long can you sustain using 4 to 5 percent of GDP for that purpose? Denmark did so for two decades (1975–1995), but the cost forced unemployment policy reforms that, like Sweden’s longstanding policy, emphasized “activation”—emergency employment or training—rather than passive support. Rising income tax levels yielded increasing tax avoidance strategies until tax reform broadened the tax base by reducing deductions and bringing down marginal rates in the 1980s and early 1990s. All of the Scandinavians except the oil-rich Norwegians repeatedly sought to trim welfare programs at the margins. But despite their best efforts to hold down costs, the secular trends pushing costs up combined with growth in unemployment (particularly long-term unemployment) continued to push spending and taxes up. Governmental expenditures rose roughly 15 percent of GDP between 1974 and 1996 in all Nordic countries except Norway (unchanged thanks to petroleum-fueled prosperity). However, structural economic changes finally reversed this

negative trend after 1995, and social expenditures have declined over the past decade as unemployment fell and economic growth accelerated. The Scandinavian states have once again become models of effective adjustment to the global economy.

While the welfare state was being constructed—from the 1930s through the early 1970s—increased expenditures were closely correlated with real gains in living standards. Unemployment compensation was enhanced, maternity and paternity leaves were introduced, pensions went up, housing was improved, day-care centers built, etc. In recent years, however, expenditures have continued to rise without such clear improvements in welfare.

Today, the cost of social programs is being pushed up in Scandinavia by three other forces: demography, technology, and rising take-up rates. Aging populations—and Scandinavians top the list internationally in terms of life expectancy—require longer pensions and more services. To deal with the former, national pension-funding reforms have raised pension savings and cut unfunded liabilities. The latter is more troublesome. Improved (and expensive) medical technology continues to drive the costs of the healthcare system higher; despite the comprehensive and efficient national health systems in the four countries, a healthcare cost crisis looms. And take-up rates for social programs have continued to rise among the young, who shape their behavior to conform to the mold of the social-benefit system. The result is that increasing expenditures do not necessarily increase welfare. Medical technology certainly extends life, but much of the costs of that new technology are incurred in the last few months of life, when the quality of life is low.

Scandinavian social programs' costs burden national economic competitiveness, but strong public sectors can also be a competitive advantage. Global capital mobility means that investment in high-wage areas, such as the Nordic countries, will lag unless productivity (and applied research), or currency devaluations, maintain competitiveness. Fortunately, innovative firms, rising education levels and labor force skills, and cost containment in both the public and private sectors have been successful over the past decade. Some Scandinavian policies, such as the active labor market policy and the solidaristic wage policy, address the competitiveness issue directly. Others, such as national health insurance, spread medical costs generally across society, rather than burdening particular employers.⁷ The economic protections provided to families through the social welfare system encourage employees to accept technological innovation. The term "flexicurity"—a flexible economy resting on a secure social security system—has been coined to describe twenty-first century Scandinavia.

A different—and troubling—issue in Scandinavia is the rapid increase in a noticeable immigrant population. Today about 5 percent of the population of Sweden, Denmark, and Norway carry foreign passports, as do 2 percent of the population of Finland, and the percentage of the foreign-born is higher, especially in Sweden, where more than 10 percent were born somewhere else. They

and their immediate descendants are now citizens, but integration into the social mainstream has been very uneven. To a considerable extent, support for the solidaristic social welfare system rested on the fact that those who benefited and those who paid were very similar. They spoke the same language, worshiped in the same church (at least at Christmas), shared the same culture, and looked very much alike. Under these circumstances, solidarity was easy. It is far from clear that the same solidarity will pertain as immigrant populations grow. Successful integration of non—Western European immigrants has so far eluded the Nordic countries. The result has been higher social costs and the rise of explicitly anti-immigrant parties in Denmark and Norway.

Box 5.2 Cartoons and Immigrants: No Laughing Matter

Early in 2006 Denmark faced one of its worst foreign policy crises since World War II. The country's largest newspaper, the liberal *Jyllands-Posten*, published the previous September a dozen caricatures of the Prophet Muhammad, or other drawings about contemporary Danish perceptions of Islam. For some religious Muslims, any portrayal of their holiest prophet is sacrilegious, and the humorous, derogatory, or satirical drawings offended many, including some non-Muslims. Without imagining the possible global consequences, several editors at the paper had invited numerous Danish cartoonists to submit such drawings to prove that they would not be intimidated by the threat some artists felt at drawing even positive images of the Prophet. For weeks the issue simmered; Danish prime minister Fogh Rasmussen refused a request by Arab ambassadors to discuss the issue even though he specifically addressed issues of tolerance and mutual respect in his annual New Year address.

Several radical Islamist activists were not content to let the issue fade. Traveling through the Middle East, they complained to several Arab governments about the intolerable insult directed at their faith. To embellish the case, several especially insulting pictures—neither drawn nor published in Denmark—were added to the “collection.” Within days Arab and foreign media spread the “news” and riots erupted in dozens of cities throughout the Muslim world. Danish embassies were attacked and in some cases destroyed (usually with the passive assistance of the “protecting” local government). Danish firms and products faced widespread boycotts. Other Scandinavian and European papers published the caricatures in support of the right to publish freely. Soon talk of a “clash of civilizations” and the threats to freedom filled the debate.

Underlying this crisis is the challenge of integrating tens of thousands of recent immigrants into the once homogeneous Scandinavian countries. Accommodating differences has always been a challenge to societies, even when the migrants came from distant Scandinavian regions: Finns moving to Sweden in 1950s and 1960s or Greenlanders moving to Denmark a decade later often received less than enthusiastic

(continued)

Box 5.2 *(Continued)*

welcomes. The real challenge was adjusting to non-European immigrants who were a trickle in the 1960s but became the majority of immigrants twenty years later. Now even Scandinavian-born children of the immigrants face significant lags in educational and vocational progress. Some social housing estates have largely immigrant populations with “natives” fleeing the surrounding areas and schools.

Sweden and Iceland have relied on the labor market supplemented by language and other support to promote integration. When immigrants work and become self-supporting, they are more likely to adjust to the culture. Denmark faced its largest wave of immigrants and refugees during a time of high unemployment and tended to support the new residents through generous social benefits. It was not a successful program, and over the past decade the emphasis has been on rapid movement into the labor market, compulsory language and cultural instruction, and reduced social benefits. Norway and Finland have tended more toward the Danish model. In both Norway and Denmark, rightist populist parties have attracted growing political support from voters who fear and distrust the new multiethnic society in which they live. In response, the mainstream political parties have shed their reluctance to discuss the problem and have reaffirmed the supremacy of traditional Scandinavian values, particularly against violence and in favor of women’s rights.

More positively, moderates among the immigrant groups have entered the political process through the traditional political parties and are represented from city councils to national parliaments. A willingness to discuss the problems openly—still a challenge in Sweden—but respectfully may have received a boost from the “cartoon crisis,” but the immigration and cultural diversity issues will figure prominently in Scandinavian politics for many years to come.

In the long run, Scandinavian prosperity in the global economy depends on sustaining the currently successful pattern of high wages and high performance. That requires action in Brussels and Frankfurt, where full employment has not been part of the prevailing ideology of the European Union and especially the European Central Bank. And it requires both anchoring domestic, and attracting foreign, capital. And so pension and tax reforms have encouraged a high rate of savings bringing mass investment (under professional management) even to Sweden, which in the past has prospered with perhaps the most concentrated ownership of any capitalist country under social democratic economic management.

The past thirty years have been a watershed. The great social democratic project—the comprehensive welfare state supported by state economic intervention to manage the market economy—was completed with the able assistance of the center parties. There was no new, equivalent central thrust for reform. Minority governments of the center-right and center-left could administer this system, but it came under increasing pressure. Accelerating demographic changes—an aging and increasingly “multicultural” population—as

well as relentless changes in the European Union and in the global economy ensure that the pressure will continue.

And so the question becomes whether and how the Scandinavian model can continue to be reshaped to meet the challenges of economic globalization while retaining its comprehensive, solidaristic, and humane structure. That is the challenge for the first decades of the new millennium.

The Roads to Europe

Europe, including Scandinavia, faced four vital questions in the wake of World War II. Two continental conflicts within a quarter century had threatened to extinguish European civilization. Armed struggle for control of Europe could not be allowed to occur again. At issue was, first, whether cooperation should be regional or global. A closely related second question was whether states should seek to build intensive integrated communities with like-minded states or whether cooperation should be restrained so as to include the largest number of participating countries (so-called “depth” versus “breadth,” or “deepening” versus “widening” arguments). Third, should collaboration focus narrowly on specific economic or other policy problems (i.e., functional issues) or should it seek broad federal arrangements in which states would yield sovereignty over a range of policy matters? Finally, should this new international regime reinforce intergovernmental cooperation or should it carefully construct new international organizations with supranational responsibilities?

The Scandinavian states responded cautiously to these questions. Domestic issues were primary, but defensive isolation had failed between 1939 and 1945. The collapse of world trade in the 1930s had hurt their economies. Sweden had narrowly preserved its traditional neutrality during World War II, but only by accommodating the dominant belligerents. Denmark, Norway, and Finland had been invaded and found traditional nonalignment and neutrality largely discredited at the end of war. All had supported the League of Nations after World War I, only to see ruthless power politics and fanatical nationalism return. After 1945 they hoped that the emerging United Nations organization would allow them to preserve their independence while participating in the global community and a revitalized collective security system. Finland’s position as a defeated power made its position especially precarious. Hard-liners in the Soviet Union believed that Finland had been a willing ally of Nazi Germany; instead, Finland’s “continuation war” against the Soviet Union had been retaliation for Stalin’s attack on Finland in 1939 (which had been encouraged by the Nazi-Soviet pact of August 1939 that established spheres of domination over Eastern Europe).

Scandinavia sought security and prosperity through broad European cooperation. All wished to avoid new divisions despite the obvious differences

between the Western democracies and Stalin's Soviet Union. The term applied to this policy of reconciliation and constructive diplomacy was "bridge building." Bridges are built over chasms; the Scandinavian states recognized the fundamental conflicts that threatened the postwar order.

It is useful to view Scandinavian foreign policies from five perspectives: Nordic, west European, Atlantic, east European, and global. Such geopolitical shorthand is, admittedly, not precise, especially given the many changes since the Cold War.

The Nordic perspective reflects history and culture, but it also implies deliberate choices. We have mentioned the common roots of the Scandinavian states, which are traceable to a loose dynastic entity known as the Kalmar Union (1397–1523).⁸ The next four hundred years saw frequent and often bitter rivalry in the Nordic region until the current five independent states emerged in the twentieth century. Sweden and Denmark competed for hegemony throughout the Baltic: first against the Hanseatic League and later against the emerging Slavic powers of Poland-Lithuania and finally Russia. The dominance of Russia from the eighteenth century onward and later the growth of German power forced the Scandinavians into an increasingly defensive position. Not until the collapse of the Soviet Union and its sphere of influence after 1990 would the Nordic states take a proactive role (now based on cooperation) in the Baltic.

Yet even as nationalism was shaping five distinct sovereign countries, there were calls for regional cooperation. They followed two lines: a romantic "pan-Scandinavianism" that argued for a federation of the increasingly democratic societies of the north, and pragmatic functional proposals covering a range of public policies common to the industrializing economies of the five states. Although "Scandinavianism" ended historic rivalries, it did not prevent the further division of the region into the five modern nations. The practical policy approach proved most fruitful, starting with a monetary union at the end of the nineteenth century (which collapsed following World War I), an "interparliamentary union" in 1907, and regular meetings between political leaders.

After World War II, the more ambitious goals of advocates for Nordic integration repeatedly ran into two obstacles. First, the interests of the Scandinavian countries were often different and not infrequently competitive. This strengthened historical and nationalist desires in Norway, Finland, and Iceland to maintain full independence from the older Scandinavian states. Second, outside political and economic ties outweighed Scandinavian alternatives. This would be seen most dramatically in security policy after 1948, when Denmark, Norway, and Iceland chose the Atlantic alliance led by the United States; Finland accommodated its foreign relations within the narrow limits demanded by the Soviet Union; and Sweden reaffirmed its historical and successful nonalignment.

Later, economic cooperation followed a similar path with broader European opportunities outweighing the potential of narrower Nordic proposals.

Although intra-Scandinavian trade expanded significantly after 1950, access to European and global markets remained the higher priority. Despite these setbacks, in 1952 the Nordic countries established the Nordic Council—essentially an extension of the interparliamentary union—that would coordinate legislation and encourage Nordic initiatives whenever consensus could be reached. Underlying the development of Nordic policy cooperation was the primacy of Social Democratic and Labor parties during much of the 1945 to 1975 period. Even in Iceland and Finland, where this was not the case, centrist governments adopted much of the Social Democratic agenda on labor, social, and economic issues. This paved the way for regional cooperation.

Nordic cooperation continues on three levels—parliamentary, ministerial, and nongovernmental—but most efforts are now channeled through the European Union. The annual meetings of parliamentary delegations from the five countries (plus the three autonomous regions: Åland, Greenland, and the Faeroes) encourage pragmatic cooperation and foster personal contacts across the region as well as a comparative perspective on policy issues. Ministerial contacts are more intense and continuous. In addition, there are regular ministerial “summits,” since 1971 routinized through the Nordic Council of Ministers, which bring together the top political and administrative people for detailed discussions and planning. A common Nordic political culture that emphasizes consensus, fact-finding, pragmatism, and responsibility helps this process. Common positions on European and international questions can multiply the weight of these small states. Finally, there are the various nongovernmental organizations in the educational, cultural, and scientific area that bring Scandinavians together on specific projects and interests. Again, this invigorates Nordic cooperation at the grass roots but also mobilizes important interests in support of these activities.

“Western Europe” was at first a Cold War concept, but it increasingly gained real political and economic significance. The Nordic countries chose not to be part of the evolving European community that started with the Brussels Pact of 1948, the Schuman Plan of 1950 for a coal and steel community, and especially the Treaty of Rome in 1957, which sparked the development of a European common market. Yet all but Finland participated in the European Recovery Program (the Marshall Plan) and became part of looser institutional structures that were also favored by Great Britain. Likewise, Denmark and Norway found that NATO membership brought them closer to the Western European democracies and expedited reconciliation with the Federal Republic of Germany. By the 1960s relationships with expanding Western European institutions (notably the Common Market) became a permanent issue on the Scandinavian political agenda.

The Atlantic dimension overlaps considerably with the Western European, but it has three distinctive facets. After 1940 the Scandinavian states developed

sustained and intensive relations with the United States (and to a lesser extent Canada), with which they had previously had important ethnic ties but no intensive diplomatic history. Further, the Atlantic dimension brought particularly the three Scandinavian NATO members into a much wider community in Europe (especially with the Mediterranean NATO members). Finally, it evolved into a broader western community exemplified by the Organization for Economic Cooperation and Development (OECD), which emerged in 1960 out of the narrower Marshall Plan structure. Even after the end of the Cold War, the Scandinavian states have sought to keep the United States immersed in European affairs and have encouraged NATO's enlargement eastward. Interestingly, neither Sweden or Finland considered NATO membership but were satisfied with the Partnership for Peace.

Relations with Eastern Europe and the former parts of the Soviet Union represent the legacy of the Cold War, which also dominated Scandinavia for more than forty years. For the past two centuries, Scandinavia's relations with Eastern Europe have been distant, and Russia was most often seen as a threat. After a period of "bridge building" between 1944 and 1948, the Scandinavian countries chose different options to cope with the east-west struggle. Common to each was a desire to maintain relatively low tensions in the Nordic region and to develop autonomous Nordic relations. Since 1990, Scandinavia's "eastern question" has become far more complex. At present three developments have emerged from the former eastern bloc. First is the renewed independence of the Baltic states of Estonia, Latvia, and Lithuania. The Scandinavian countries have greeted this unexpected development with sustained economic and political involvement. Second, Russia's instability and uncertain steps toward democracy represent a continuing challenge for the Nordic states. The norm had been an authoritarian, powerful, but often conservative Russia. Finally, as the expanding EU encompasses Central and Eastern Europe, the Nordic countries must adjust to changing institutional and political arrangements while maintaining their influence and independence.

Finally, there is a global perspective that includes Scandinavia's historic commitment to the United Nations and other forms of international cooperation. Scandinavian military units have played a role in many of the UN peace-keeping missions. The Nordic countries have global economic interests and collectively represent a substantial global economic power. They are among the most generous and steadfast contributors to international economic assistance efforts and often champion the less-developed countries in international organizations. Yet they are far from major actors whose decisions can affect global affairs. Here, too, a strategy of bridge building can be constructive, as illustrated by the role of Norway and its late foreign minister, Johann Jørgen Holst, in facilitating the 1993 Israeli-Palestinian Oslo Accords. More recently, Norwegian diplomats have brokered peace talks in Sri Lanka and western Sudan (Darfur), alas with scant success to date.

POST—WORLD WAR II SECURITY OPTIONS

Initially the Nordic countries placed their trust mainly in the new United Nations and its promise of “collective security” and broad global cooperation. The disappointments of the 1930s were balanced by the lessons of appeasement and the leadership promised by the United States, along with hopes for Soviet cooperation in the postwar order. As a defeated power, Finland was initially denied membership in the UN, but the other four Nordic nations were in from the start. Scandinavians could see that their best foreign policy option was continuing great-power cooperation in the UN. The appointment of Norwegian statesman Trygve Lie as the first secretary general of the UN augured well for Scandinavian engagement.

Denmark and Norway were accepted as victorious powers while Sweden’s wartime neutrality was discreetly ignored. Small Danish and Norwegian contingents were part of the Allied occupation forces in Germany. Likewise, temptations to exact retribution against defeated Germany were resisted. Reconciliation would be the goal.

After 1945, there were two new factors in European and Scandinavian geopolitics: the dominant position of the Soviet Union in Eastern Europe and the Baltic and the global stature of the United States. Soviet forces occupied Finland, but their behavior there had been tolerable. Soviet forces had liberated northern Norway and assisted the desperate civilian population as much as they could. They withdrew shortly after the war, and despite some Soviet security claims in the Arctic territories of Svalbard, Soviet-Norwegian relations were cordial. Likewise, Soviet forces liberated the Danish Baltic island of Bornholm from the Germans in May 1945, but withdrew a year later without incident.

With the apparent breakdown of east-west cooperation in 1946–1947, the Scandinavian states sought to play a mediating role. The term “bridge building” was applied to diplomatic efforts to reconcile the two blocs. Had the focus been northern Europe, such pains might have borne results, but Scandinavia was distant from the conflict’s center in Central and Eastern Europe. The “iron curtain” identified by Winston Churchill in 1946 did not run through Scandinavia, although Finland was vulnerable. Precise fulfillment of the terms of the onerous peace treaty and delicate negotiations by veteran diplomat and later president Juho Paasikivi preserved Finnish sovereignty. Sweden provided the Soviet Union with generous postwar economic credits to atone for its wartime neutrality and to stimulate its postwar economy. All of the Scandinavian countries were handicapped by the weakness of their two main trading partners: Germany and Britain. Hence the Nordic countries were enthusiastic when U.S. Secretary of State George Marshall announced a European Recovery Program in June 1947.

Tensions continued to rise over the next eighteen months. Danish and Norwegian communist parties enjoyed an initial surge of support because of their role in the anti-Nazi resistance, but their strength quickly dissipated. Only in

Finland did communists remain a factor as a result of the Soviet support. When the Soviet government rejected participation in the Marshall Plan, the door also slammed for Finland (although the United States found other channels to assist Finland). The February 1948 coup that ousted the democratic Masaryk government in Czechoslovakia was a severe psychological shock. Like Scandinavia, postwar democratic Czechoslovakia had sought to be a bridge builder between east and west. Yet its regard for Soviet interests had not prevented Stalin from overthrowing a democratic coalition government, installing a ruthless communist regime, and isolating Czechoslovakia from its Western European neighbors.

At about the same time Moscow sent a threatening letter to the Finnish government that demanded reassessment of Soviet-Finnish ties. Given the strength of the Finnish communists, the peace terms already imposed a year earlier and the proximity of Soviet troops to Helsinki, many feared a repetition of the Prague coup. Finnish leaders kept their nerve. Discreetly, Finnish communists were removed from sensitive governmental positions, while Finnish leaders assured Moscow of their understanding of Soviet security needs. A treaty of “friendship, cooperation, and mutual assistance” was negotiated and became the basis of the next forty years of Finnish-Soviet relations. It required Finland to obtain Moscow’s approval for political and economic ties with the West and basically gave Moscow a so-called *droit de regard* (veto right) to scrutinize Finnish foreign policy and in practice, for more than twenty years, Soviet veto power over certain Finnish politicians. Crucially, however, it did not end Finland’s recovering parliamentary democracy and capitalist economy.

Soviet-Nordic relations eventually stabilized, especially following the marked improvement during the post-Stalin “thaw” when the Russians unilaterally withdrew from their Finnish base in Porkkala in 1956, but in 1948 pessimism prevailed. In the Scandinavian capitals, fear of Soviet intentions and recognition of the limits to the UN as a basis for future security inspired a reappraisal of their security situation.

Neither the United States nor Great Britain had focused on Scandinavia after 1945. The United States had northern strategic concerns, but these were mainly the air bases in Iceland and, to a lesser extent, Greenland. Both were essential for U.S. military operations in Europe, and their strategic importance would grow significantly during the Cold War. There was sympathy for the Finns and their resistance to Soviet pressure; Finnish repayment of earlier U.S. loans had a remarkable impact even on isolationists. While Finnish options were sharply limited, the other Scandinavian states agreed to reassess their collective security in 1948–1949. Isolated neutrality was discredited in Denmark and Norway, and even the Swedes seemed willing to consider a regional security arrangement.

The effort to create a nonaligned Scandinavian Defense Union failed basically because Norway sought closer ties with the emerging Western defense alliance that evolved into NATO. As one Norwegian politician put it, “We want to be defended, not liberated.” Western (in practice, U.S.) military assistance

would be directed at the broader alliance and not at peripheral blocs, and without such assistance Scandinavian military potential would remain at a level characterized by one contemporary observer as a “0+0+0=0” equation. After Norway’s choice, Sweden was uninterested in a bilateral arrangement, and Denmark followed Norway into the North Atlantic Treaty Organization in April 1949. Sweden would preserve its nonalignment in peace and hope for neutrality in war.

For the next forty years, this arrangement prevailed with only marginal adjustments. Norway became initially the most enthusiastic Scandinavian NATO member, although the Norwegians adopted a policy of nonprovocation toward the Soviet Union, with which they shared a border in the far north. Denmark also refused to allow permanent foreign bases on its territory in time of peace, although NATO staff and periodic military exercises were accommodated. Denmark also accepted U.S. bases in Greenland without inquiring too closely about their military activities. Norway made a substantial effort to build up its armed forces; in Denmark, defense expenditures were controversial. Nevertheless, both countries developed and maintained military forces and alliance ties that were without historical precedent.

Sweden’s nonalignment initially stimulated a considerable defense effort. Swedes believed that their successful neutrality during World War II came from achieving enough military strength to make invasion too costly. That became their defense policy in the Cold War, although we now know that Sweden cooperated secretly with NATO in the 1950s and 1960s in coordinating a defense against the Soviet Union.

THE NORDIC BALANCE

By the 1960s, Nordic foreign policies had established patterns that, with occasional variations, were maintained until the end of the Cold War in 1990. Each Nordic country had, of course, its own interests and priorities. Despite the lack of a formal common Nordic foreign policy, each country has assessed the impact its foreign policy might have on an overall “Nordic balance.” In addition, as the Norwegian analyst Arne O. Brundtland and others noted, each Nordic country generally has assumed that the success of one Nordic country’s foreign policy would benefit the entire region and minimize regional tensions. Nordic regional cooperation avoided defense and security policy, although a de facto Nordic bloc emerged in the 1960s in the United Nations and other international organizations. Nordic political leaders continued their tradition of regular informal consultation on issues of common interest.

Traditional small-state discretion gradually gave way to activism; indeed Finland’s expansive president, Urho Kekkonen, pursued “active nonalignment” for twenty-five years in order to maximize his country’s options and assure the Soviet Union of Finland’s friendly intentions. His preemptive anticipation of

Soviet requests elicited domestic and foreign criticism, including the notorious concept of “Finlandization.” Coined by West German politicians but broadly used by Western conservatives and critics of détente, it implied a passive regard for Soviet interests in lieu of Western cooperation.

Swedish leader Olof Palme also rejected the discretion of his predecessors and tried to shape a Swedish profile of active nonalignment in international affairs. A prominent global figure, Palme increasingly challenged the superpowers and promoted the development agenda for the so-called Third World until his assassination in 1986. He pushed a distinctive Swedish policy that gave the country international visibility that it had not had before and has not had since. He became the symbol of a strident criticism of U.S. foreign policy in the wake of the Vietnam War. Both Finland and Sweden put pressure on Denmark and Norway to minimize their engagement in NATO and to reconsider a more active Nordic security commitment. There were many in these countries who were tempted to follow such a line, but the choice of 1949—to rely primarily on broader Western defense cooperation—prevailed.

The Nordic balance remained deliberately vague and flexible throughout the Cold War. NATO and particularly the U.S. guarantee to Western Europe formed the foundation of national security policy in Denmark, Iceland, and Norway, and both Finland and Sweden counted on that ultimate source of assistance should things go wrong. All sought to reinforce the reality that northern Europe was not the main axis of east-west tensions.

Despite the different Nordic responses to the Cold War, each country sought to combine credible national security, conflict-avoidance with the Soviet Union, and cautious steps toward relaxation of tensions between east and west. From the outset, few Scandinavians believed that the Soviet Union had a timetable for war with the West. War was more likely to occur because of miscalculation or the escalation of conflicts outside of Europe. Hence a policy of “reassurance” and conflict resolution won broad support, although there were genuine arguments about how to carry it out. This was not a policy of “appeasement”; Nordic criticism of Soviet human rights violations and imperialism in Eastern Europe became louder through the 1970s and 1980s. As noted earlier, both the Nordic and global dimensions of foreign policy allowed considerable diplomatic opportunities. Not all were successful, but such negotiations would at least communicate to the superpowers (especially the USSR) that the Nordic countries believed in “peaceful coexistence” combined with full respect for national independence.

While successfully restraining most Cold War tensions in their region, the Nordic countries never succeeded in creating a region truly distinct from the larger European context. In the security sphere they had insufficient power; in economic matters their ties to Europe remained supreme. By 1961, however, the dynamic Common Market was a serious issue in Scandinavia. West Germany had become again a vital market for the Scandinavian states, soon surpassing Britain.

As security issues waned, economic questions demanded difficult choices: first between competing blocs and models (the European Economic Community [EEC] versus the looser European Free Trade Association [EFTA]), and then over the extent of integration and its political consequences.

AN END AND A BEGINNING FOR THE NORDIC BALANCE

Nearly twenty years after the sudden collapse of communism in Europe and the end of the Cold War, it has hard to recall the passions and tensions of its final phase. First, the failure of east-west détente at the end of the 1970s—despite the Helsinki Accords of 1975, which recognized the geopolitical status quo of the Cold War as well as the legitimacy of human rights issues in Europe—was a severe disappointment to all of the Scandinavian countries. The renewed strategic arms race and military rivalry, competition in the Third World, and a general global atmosphere of political confrontation in the 1980s threatened the Nordic region. First, the development of new Soviet intermediate-range missiles and their deployment increased the threat of nuclear war in Europe. The Western response, the so-called dual track strategy of deploying U.S. intermediate-range ballistic and cruise missiles in Europe while preparing for an arms-control agreement in Europe, sharpened the confrontation. Antinuclear movements, which had appeared in the early 1960s and waned with détente in the 1970s, quickly sprang up again across Western Europe, not least in Scandinavia.⁹

Second, the steady buildup of the Soviet northern fleet (based mainly on the Kola Peninsula close to northern Scandinavia) brought about a Western naval rearmament. Although Scandinavia had been peripheral to the central European arms race, the naval and missile competition intruded into the entire region. This was compounded by a global militarization that saw regional struggles in Central America, Africa, the Middle East, and Asia. Europe seemed to be free of direct military adventures, but it was easy to imagine “horizontal escalation” (the geographic spreading of armed conflict) into the Continent. NATO’s call for increased military spending was accepted by Norway but not Denmark.

Third, the collapse of reformist movements in several communist countries, most notably Poland in 1981, gave little hope of evolution toward democracy and human rights. The ideological war between east and west returned to a depth of bitterness not seen for twenty years. There seemed to be little that small states could do to bridge the chasm.

Then, and almost without warning, the political winds shifted. The accession of Mikhail Gorbachev to leadership in the Soviet Union in 1985 was the key element, but both U.S. president Reagan and especially Britain’s Margaret Thatcher were quick to sense an opening with the new regime in the Kremlin. The spontaneous summit meeting in Reykjavik, Iceland, between Reagan and Gorbachev in November 1986 failed to produce a conclusive Euro-missile

agreement, but unlike previous diplomatic disappointments, this meeting seemed to intensify negotiations and the spirit of compromise. The Soviet regime proclaimed “new thinking” in both domestic and foreign policy. Washington, London, and Bonn were prepared to give the Gorbachev proposals a full hearing.

In 1989–1991 Scandinavians, along with Europeans and Americans, watched with amazement as forty years of east-west competition ended, a dozen Marxist-Leninist regimes collapsed, and the Soviet Union split into its component republics. More proactively, the Nordic states gave diplomatic and economic support to the emerging independence movements in the Baltic republics (Estonia, Latvia, and Lithuania), which had been forcibly annexed by the Soviet Union fifty years earlier. As in 1918–1920 and 1945–1949, Nordic leaders had to rethink their international position and foreign policy priorities. The challenge would be to balance traditional interests and perspectives with the new opportunities and threats of a changed world. The Nordic balance soon became the “Northern Dimension” to the European Union.

Scandinavia and the European Union

Scandinavia, as noted earlier, remained on the periphery of the European integration project for nearly twenty-five years after World War II. Three factors have repeatedly deterred the Scandinavian states from aggressively pursuing European integration and unity. First was the alternative attraction of Nordic economic cooperation. Although initial attempts to form a Nordic customs union in the 1950s failed, the project was resurrected in new versions until 1970, when Denmark and Norway declared definitively for the European alternative. However, only Denmark joined the EEC in 1973, while Norwegian voters rejected membership and Sweden and Finland never applied. Denmark would preserve its Nordic links and would even promote regional interests in Brussels, but the limits of Nordic cooperation seemed clear. Second, the ultimate goal of a united Europe enjoyed only modest support among the political leadership and the public in these small states, historically unaligned and mistrustful of larger neighbors. Third, with broader free-trade ambitions, the Nordic countries have resisted having to choose sides in economic communities. Until 1973 Britain and Germany belonged to different European trading blocs, while the attractions of global trade (especially with North America and Japan, and even with the socialist countries such as the Soviet Union, China, and Eastern Europe) deterred commitment to the European project.

The Scandinavian states favored European cooperation over unity. Cooperation aimed at removing barriers to free trade and investment as well as policy collaboration in areas of common concerns (e.g., environment, refugees, human rights, defense) have come to be regarded as “Europe a la carte.” States can pick

and choose the collection of projects in which they will participate. The alternative they rejected was more grandiose: a "United States of Europe" with genuinely federal institutions that would move significant portions of public policy into a European entity. National governments would still have residual powers through the principle of "subsidiarity," but like other federal systems, the whole would be more than the sum of its parts. Ancient cultures and states would be unlikely to disappear or become mere provinces, but the four-hundred-year tradition of state sovereignty largely would be ended in principle as well as practice. This second vision has little support in Scandinavia and has met much vigorous resistance.

ECONOMIC COOPERATION

As trading states, the Scandinavian countries have long been wary of economic isolationism. All suffered from the economic nationalism and mercantilism of the interwar period. In response, domestic protectionism gained a foothold in the agricultural and other primary economic sectors.

The Scandinavian countries did not participate significantly in any of the meetings between 1955 and 1957 that led to the Rome treaty establishing the EEC. Likewise they had not been involved in the precursors of the Schuman Plan and the European Coal and Steel Community of 1952. The broader trade bloc did raise concerns, especially in Denmark and Sweden, which had important economic ties to the rapidly growing West German economy. British refusal to consider participation and its establishment of an alternative European Free Trade Association (EFTA) in 1959 confirmed the division of Europe into "sixes and sevens." Generally the Scandinavians favored free trade for industrial goods and international services (e.g., shipping), but only Denmark accepted similar liberalization for the agricultural sector. None of them believed that integration of all economic sectors, as had begun with the European Coal and Steel Community, was relevant for their economic situation. This distinction between free trade and harmonization would continue.

By 1961 it was clear that the EEC would progress and that EFTA would be less significant. The ambiguous British decision to apply for EEC membership forced the Scandinavian countries to reconsider their position. French president Charles de Gaulle delayed British entry for a decade, but when in 1969 the issue again became germane, it was clear that the EEC was an economic and political success and that there would be no other significant European alternative. As the European option again appeared promising, the Nordic countries (now including Finland) commenced negotiations on a wider Nordic economic community that would possibly lead to a common Nordic entry into the EEC. This possibility threatened Finland's special regard for Soviet sensibilities, but Sweden too was concerned about its "nonaligned" status (a point already raised in

1963). In short, whenever a wider European option became promising, the Nordic countries found they each had different perspectives.

The result would be four Scandinavian roads to Europe, with Denmark's entry into the EEC 1973, Sweden and Finland in 1995, and Norway's twice (1972 and 1994) failed entry attempts. Just to complicate matters, the two Danish autonomous North Atlantic territories of Greenland and the Faeroe Islands remained outside of the EEC, with Greenland actually withdrawing in 1982.

It is notable that joining Europe has been a divisive issue in domestic politics everywhere, even including Finland, where the European Union seemed to offer guarantees against renewed Russian pressure in the future. The referenda results in Table 5.3 suggest just how disputed this key decision in fact was. Ironically, the strength of domestic opposition has not slowed Danish integration into European structures in those areas approved by the voters; Denmark has typically ranked among the top countries in the European Union in actually adapting national legislation and regulation to fit European requirements. As late entrants, Sweden and Finland had to accept the developing European Union in 1995, including its extensive rules and regulation (the so-called *acquis communautaire*). The ongoing EU debates and, in the case of Denmark, repeated referenda on Europe disrupted the normal patterns of partisan allegiance in domestic politics.

RELUCTANT EUROPEANS

As the European integration project pursues union in the wake of the Maastricht Treaty of 1991 (as amended in Edinburgh [1992] and further in Amsterdam [1997] and Nice [2001]), the Nordic countries remain skeptical participants. Norway is linked through the agreement on a European Economic Area (EEA), which was negotiated in 1990, took effect in 1993, and essentially gives these countries access to the "Single European Market" in all areas excepting agriculture, natural resources, and other issues of vital national interest. This is the "outer ring" of the European orbit, and although EEA countries (there are only three: Iceland, Norway, and Liechtenstein) have essentially full access to European markets, they have no direct influence on the development of the European Union.

Denmark, along with Britain, circles the EU more closely. Both are signatories to the Maastricht Treaty but have significant, though different, reservations. Denmark has rejected monetary union, although its economy is among the strongest in the EU and its currency has been closely tied to the German mark and now the euro since 1982. It has been cautious about harmonization of police and judicial affairs and participation in key elements of the common foreign and security policy. Every significant change in European policy has sparked a bitter fight in Denmark and resulting national referendums. The 1997 Amsterdam

Table 5.3 European Community/European Union Referenda

	<i>Denmark</i>						<i>Norway</i>		<i>Sweden</i>		<i>Finland</i>
	1972	1986	1992	1993	1998	2000	1972	1994	1994	2003	1994
Yes	63.3	56.2	49.3	56.7	55.1	46.8	46.5	7.8	52.3	41.8	57.0
No	36.7	43.8	50.7	43.5	44.9	53.2	53.5	52.2	46.8	56.1	43.0
Turnout	90.1	75.4	83.1	86.5	74.8	86.7	79.2	88.8	82.4	81.2	70.8

Sources: Danish Folketinget Website: www.ft.dk; Nordic Council, *Norden i Tal*, 2002. Swedish Riksdag website: www.riksdagen.se.

Note: The referenda were as follows: Denmark 1972: Joining the EC;

1986: EC single market;

1992: Maastricht Treaty;

1993: Edinburgh agreement modifying Maastricht;

1998: Amsterdam treaty;

2000: adopting the euro;

Norway 1972 and 1994, Sweden 1994, Finland 1994: Joining the EC/EU.

Sweden 2003: common European currency.

revision of the union treaty was approved by the Danish voters, but in September 2000 they rejected the euro as their national currency. The Danish government accepted the Nice treaty of 2001, which prepared the EU for a significant expansion to include eastern and southern European states. Although domestic opponents of the EU have railed against opening the union to hordes of poor eastern Europeans, others see the expansion as postponing “federalism” for an indefinite period. Anti-EU parties (on the extreme right and left) are well represented in parliament, and a quarter of the delegates elected by the Danes to the European Parliament are anti-EU activists.

Norway has debated the EU issue for more than forty years, and twice its voters vetoed membership that had been approved by wide parliamentary majorities. As elsewhere in the region, Norwegian “Euro-skeptics” have bundled political, cultural, and economic issues into their program, but economic factors seem salient. Although the 1972 rejection predated Norway’s current petroleum-fueled prosperity, the continuing boost of oil and gas exports has shielded the country from most of the economic strains of the past thirty years. Most oil revenues are now shunted into a massive “Government Pension Fund—International,” which invests globally and whose assets approached \$ 270 billion in fall 2006. Protection of Norway’s heavily subsidized agricultural sector and regionally significant coastal fisheries have also been factors weighing against membership. As a member of the European Economic Area since the early 1990s, the Norwegian industrial, labor, and service sectors are fully integrated with the EU. Policy cooperation extends to justice, education, and other sectors. The main drawback of this “junior membership” is absence from most of the EU policy-making process.

Sweden and Finland became EU members in 1995 after vigorous national debates and referenda. As new members they were forced to swallow the whole EU system, but not without protest and regret. Their EU parliamentary delegations have strong anti-EU contingents, and opinion at home is no less skeptical of the EU project than that of the doubting Danes. Neither is firmly committed to a common European security policy or to federalism. Like the Danes, they have encouraged eastward expansion, especially to the Baltic states and Poland. During their EU presidencies they have pushed the social and labor agenda as well as budgetary and administrative reforms of EU institutions. Only Finland has fully joined the Economic and Monetary Union, with the euro replacing the Finnish *markka* as the national currency in 2002, while Sweden rejected the common currency in 2003.

Today the Scandinavian countries still see the EU mainly in pragmatic economic terms. They have been especially cautious about expanded cooperation on foreign and security policy matters despite the turmoil in the Balkans after 1990, the “war on terrorism” after September 2001, and a host of continuing crises in Africa, the Middle East, and elsewhere that suggest that world politics is not only the global economy. They accepted without significant debate the expansion of the EU to include ten Central, Mediterranean, and Eastern European countries, including the Baltic states and near-neighbor Poland, but maintain various restrictions on labor migration. EU countries with full employment (the Nordic countries, Ireland, and the UK) are actually warming to eastern and central European workers as greatly preferable to non-Europeans. The proposed European constitutional treaty promised vigorous debate and referendums in the Scandinavian countries, but its rejection by voters in France and the Netherlands in 2005 postponed that confrontation. The EU’s current “period of reflection” suits the mood of most Scandinavians quite well.

All of the Nordic countries supported the U.S. response to the terrorist attack of 9/11. Danish and Norwegian troops serve with the UN-sanctioned but NATO-led International Security Assistance Force in Afghanistan. The reluctant “multilateralism” of the Bush administration and its willingness to work within the UN and NATO seemed a hopeful sign to those suspicious of the previous raw unilateralism of the U.S. administration. Unfortunately the invasion and occupation of Iraq in 2003 by U.S. and British troops deepened Nordic concerns and divisions. The Danish government gave wholehearted support to military action against the Saddam Hussein regime and provided a military contingent for the occupation, while the Swedes, Finns, and Norwegians were critical of the U.S. and British response. It was yet another reminder of the different national perspectives across Scandinavia. The differences were purely governmental; public opinion throughout Scandinavia is very much in line with the general European public distaste for the Bush administration’s unilateralist nationalism.

For the Scandinavian Social Democrats in particular, the European Union and economic globalization more generally pose some ironic dilemmas. Although

they have always been rhetorically internationalist—and have lived up to the rhetoric in development aid and in direct support for foreign trade unions and labor parties in the Third World and Eastern Europe—their success at home has been premised on the relevance of the nation-state as the unit for making economic policy. The generous and humane provisions of the social democratic welfare states in Scandinavia yielded a truly decent society for all, but they were dependent on strong, carefully managed economies and full employment. It is far from clear that those are at the top of the European Union's economic agenda. If the welfare state was the surrogate for socialism for the Scandinavian Social Democrats from the 1930s through the 1980s, what is to be the surrogate for the welfare state?

The habits of nonalignment and independence of all Nordic states, along with their still vigorous sense of nationhood and self-confidence, color their view of Europe. They are also a factor in the continuing debate about non-European immigration and the challenges of multiculturalism. Once again a Nordic “middle way” has emerged toward the regional and global challenges of the new century. Scandinavians are pragmatic skeptics, seeking “just enough Europeanization” to respond to economic, social, and political challenges. As successful states and just societies, they see no need to bury themselves in a federal Europe. The successful reform and reinvigoration of the “Scandinavian model” since 1990 have given them renewed confidence at home and relevance for larger EU countries seeking new ideas. But they are not isolationists; the past century taught them that their fates are intimately tied to their continent and to global developments. The Nordic EU bloc of three is likely to support a “social Europe” in which the principles of “subsidiarity” and pragmatism will make the Scandinavians more comfortable in the European home. Through reforms and innovation—such as “flexicurity”—the Scandinavian countries will challenge their European neighbors to do better.

Notes

1. For an excellent survey of Scandinavian history, see Derry 1979; more concise and up-to-date is Nordstrom 2000. For full citations, see “Suggested Readings” above.

2. Until the war of 1864, the German-speaking duchies of Schleswig, Holstein, and Lauenburg were part of the Danish realm under an exceedingly complex constitutional arrangement. Schleswig had a substantial Danish population that was denied rights under German rule between 1864 and 1918. Following the German defeat in 1918, the Allies supervised a referendum that returned the northern third of Schleswig (Slesvig) to Denmark. Since 1920, the Danish-German border has been fixed, and since the 1950s, the two nationalities have seen greatly improved local relations.

3. Denmark and Norway were under the same monarch from 1380 to 1814. Starting in 1737 in rural Norway, the country was the first in the world to institute universal,

compulsory education, culminating in the Danish education act of 1814. Sweden followed with a similar law in 1842. By the second half of the nineteenth century, literacy was nearly universal in Scandinavia, and secondary and adult education was advanced by the “folk colleges” and workers’ education movements.

4. There are many excellent studies of the global economy. See especially Robert O. Keohane and Joseph S. Nye, *Power and Interdependence*, 3rd ed., Boston: Addison-Wesley, 2000; and for the smaller European states, Peter J. Katzenstein, *Small States in World Markets: Industrial Policy in Europe*, Ithaca, NY: Cornell University Press, 1985.

5. There is a rich literature on Scandinavian political institutions and political actors. For good surveys with copious bibliographies, see the volumes by Olof Petersson and by Eric S. Einhorn and John Logue in “Suggested Readings.”

6. For a more comprehensive discussion of the Scandinavian welfare programs and their impact, see Einhorn and Logue, chapters 6–10.

7. Economic policy issues in the Nordic countries are discussed in detail in the economic surveys published every year or two by the Organization of Economic Cooperation and Development as *Economic Surveys: Denmark*, etc. Sweden’s economic problems and especially its welfare have received much international attention in the 1990s. The harshest critique may be found in the writings of Assar Lindbeck, most recently in “The Swedish Experiment,” *Journal of Economic Literature* 35, September 1997, 1273–1319. A more technical and less pessimistic survey is Richard B. Freeman, Robert Topel, and Brigitta Swedenborg, *The Welfare State in Transition: Reforming the Swedish Model*, Chicago: University of Chicago Press, 1997. Both the *Financial Times* and *The Economist* regularly survey the Nordic economies, the latter most recently in June 2003.

8. At the end of the fourteenth century, all three Scandinavian crowns passed to Danish queen Margrethe I. In 1397, this union was formalized by a treaty drafted in Kalmar, Sweden. Although the Kalmar Union survived until 1523, it was constantly challenged. Norway remained united with Denmark until 1814 and then with Sweden until 1905. Iceland was part of the Danish realm until 1944. The Swedish province of Finland became a Russian Grand Duchy in 1809 and declared its independence in 1917.

9. A concise summary of the Nordic region during the Cold War may be found in “The Nordic Region: Changing Perspectives in International Relations,” *The Annals of the American Academy of Political and Social Science*, Martin O. Heisler, special ed., vol. 512, November 1990; and in the books by Stephen J. Blank, *Finnish Security and European Security Policy*, Carlisle Barracks, PA: U.S. Army War College, 1996, and by Don Snidal and Arne Brundtland, *Nordic-Baltic Security*, Washington, DC: Center for Strategic and International Studies, 1993.

Suggested Readings

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