

Social democracy in northern Europe: Its relevance for Australia

Andrew Scott, The University of Melbourne and RMIT University

ABSTRACT

Social democrats in English-speaking countries have frequently looked to Sweden and its neighbours as offering a policy model that combines economic prosperity with social equality. In recent decades this admiration has dissipated due to a sense that comprehensive welfare provision in the Nordic nations is in retreat and that policy options for small states have been reduced by 'globalisation'. Yet there remains strong evidence of economic and social achievement in various northern European nations, maintained by policies which continue to be more recognisably social democratic than elsewhere. This article examines Australian policy interest in Scandinavia, especially the 1986 union mission that produced the report, *Australia Reconstructed*. The article situates that mission in the history of interest in the Swedish model in the wider English-speaking world, with the aim of exploring the extent to which social democracy in the north of Europe remains intact and relevant.

*Dr Andrew Scott <ascot@unimelb.edu.au> is an honorary Fellow of the Contemporary Europe Research Centre at The University of Melbourne, and is on leave from his position as a Senior Lecturer in the School of Global Studies, Social Science and Planning at RMIT University. He is author of *Running on Empty: 'Modernising' the British and Australian Labour Parties* (Pluto Press), and many other publications about labour and social democratic parties.*

There are many anniversaries this year, 2006, and one of these is the 20th anniversary of the Australian Council of Trade Unions (ACTU) delegation to Sweden, Norway, (what was then West) Germany, Austria, and Britain to seek new policy options for Australia. The delegation's report, titled *Australia Reconstructed*, was published in the following year. The report particularly praised and sought to emulate Sweden because of the overriding priority that country placed on full employment and wage solidarity, while maintaining a strong economic performance (Australian Council of Trade Unions & Trade Development Council 1987).

The commitment, enthusiasm, and resources of the unions' partners in this mission, the Trade Development Council, helped to make *Australia Reconstructed* a major publication. It emerged as an A4-sized official-looking volume 235 pages thick. The report included more than 100 colour charts to illustrate statistical trends, policy concepts, and organisational arrangements; it made 72 substantial policy recommendations; and it had a bibliography with more than 300 references. This article situates that mission and report in the longer-term history of interest in Scandinavia among social democrats from English-speaking countries. My aim is to help assess the contemporary relevance of social democracy in northern Europe to Australia.

The writing of *Australia Reconstructed*

Australia Reconstructed remains the most comprehensive policy manifesto ever published by the mainstream Left in Australia. It came out of concern about Australia's excessive economic reliance on extracting and shipping out resources rather than adding value to products. This concern had been expressed in a series of earlier pamphlets published from the second half of the 1970s by the Amalgamated Metal Workers Union (AMWU). Following those publications, which had criticised Australia's policy direction in the Fraser Government years (1975–1983), the union delegation put forward positive policy solutions in *Australia Reconstructed*, solutions for the Australian Labor Party (ALP) Government to pursue.

Concern about Australia being a quarry, taking resources out of the ground to benefit from a short-term boom in world commodity prices, rather than ensuring more solid and durable foundations for economic prosperity, is very relevant again today. The contrast with Norway, for example, is stark. Norway ensures now, as in the past, that proceeds from its resource riches are invested for lasting national benefit—including for the years after the resources inevitably run out (Stretton 2005, pp. 72–74).

Although the 1986 mission to Europe was partly sponsored by—and its report published with the official imprimatur of—the then Hawke Labor Government, it contained much criticism of that government's policies. The authors emphasised the achievements of Sweden's Rehn-Meidner model of pursuing full employment by reducing market wage differentials, ensuring an adequate social wage, and improving the mobility and skills of the labour force through comprehensive, active labour

market programs. They argued that this approach had succeeded in Sweden from the 1950s because unions had rejected ‘the notion that wage restraint was the only solution, and instead [had] urged the Social Democratic government to adopt an alternative strategy involving the whole policy mix’ (Australian Council of Trade Unions & Trade Development Council 1987, p. 5). *Australia Reconstructed* represented the most ambitious attempt towards economic interventionism in the Hawke/Keating years (1983–1996). It sought to develop the original logic, new institutions, and progressive aspects of the Prices and Incomes Accord signed by the ALP and the ACTU in February 1983, which had envisaged a regulated economy and a high priority for industry development. In particular, *Australia Reconstructed* sought to counter the Government’s contrary moves to financial deregulation and away from industry policy in the years following the signing of the Accord. Among its policy proposals was a call for restraint of prices and executive salaries instead of just wages. It advocated the development of manufacturing by using new superannuation funds to promote productive investment, among other measures. It called for better formation of vocational skills. It also endorsed the reorganisation of work along more democratic lines.

The year in which the Report appeared, 1987, preceded the waves of privatisations, further tariff reductions, and the shifts away from centralised wage fixing that came later in the Hawke/Keating years. As such, *Australia Reconstructed* remains an important reference point for an alternative and more interventionist Labor political and economic approach than came to dominate the period 1983–1996. And I argue, on the basis of current evidence, and contrary to much prevailing pessimism, that the relevance to Australia that the delegation saw in the policy achievements of social democrats in northern Europe then, remains valid now.

Australia Reconstructed was, of course, criticised at the time by employers. The Business Council of Australia sent its own mission to Sweden, the month after the union delegates returned, to paint a contrary picture. Some of the more colourful criticisms from leading intellectual ‘Dries’ were that the ACTU was engaged in ‘Nordic hero worship’ (Robertson 1987, quoting John Nurick from the Australian Institute for Public Policy) and that its proposals to involve trade unions more broadly in national policy making would inevitably make Australia akin to Fascist Italy under Mussolini (for example, Hyde 1987). Apparently none of those who made this second charge appreciated the distinction between the capricious actions of an Italian dictator before the Second World War; and *social democratic* corporatism as it had gradually and successfully evolved in northern European nations in the decades after the War. Another repeated complaint about *Australia Reconstructed*, made by the leader of the largest employer organisation of the time, was that it was too hard to read (Williams 1987, quoting Bryan Noakes, then Director General of the Confederation of Australian Industry; Confederation of Australian Industry 1987).

Not all criticism came from the employer side, however. Community welfare activists criticised the report for not placing nearly enough emphasis on the role public sector provision had played in Sweden's success, and also for viewing the social wage too narrowly (Council of Social Service of New South Wales 1988). Further, although the report did outline in detail the laws and programs that Sweden introduced to combat labour market segmentation and to promote equal wages and conditions for women, and did strongly recommend similar moves in Australia, its focus on manufacturing meant that it did not adequately analyse the services sector of employment where most women were actually employed; nor did its recommendations reflect women's need for child care (Ranald 1988, pp. 10–11). The document was also criticised by conservationists for purporting to 'encompass the major debates of our time' while essentially ignoring environmental questions (Toyne 1991, p. 27).

Nevertheless, *Australia Reconstructed* was generally acknowledged as a sophisticated and somewhat surprising challenge to conventional economic policy thinking in Australia. Debate over the report was prominent in the national media from the time of its launch on 29 July 1987. A series of visiting government ministers and other officials from Sweden and Norway—including Sweden's then Minister for Labour, Anna-Greta Leijon—helped to keep Scandinavia's alternative economic and industrial policy approach before the Australian public for some months.

On 19 October 1987 the stock market crash shifted attention away from *Australia Reconstructed*—although the collapse of the overvalued speculative activity was one of the very things the union delegation had been foreshadowing. The report had expressed concern at 'the impact ... the recent wave of takeovers ... is having on the level and composition of investment undertaken by the real production and value-adding sectors of the economy', and recommended that the Australian Government follow the lead of the Scandinavian governments which were acting to remedy this problem by 'supplementing private sector activities through collective capital formation ... [for] investment in ... infrastructure, education ... training and capital works' (Australian Council of Trade Unions & Trade Development Council 1987, pp. 14, 19–20).

Interest in the Swedish model in the wider English-speaking world

Australians and others from English-speaking nations had looked to the policy achievements of Sweden and its neighbouring countries before 1986. This year (2006) is also the 70th anniversary of the first major publication by a person from an English-speaking country looking with admiration at Sweden as an alternative to unbridled capitalism. In this section of the article I trace major moments in the history of this interest in Sweden in the wider English-speaking world.

In 1936 an American journalist, Marquis Childs, published his book titled *Sweden: The Middle Way*. Childs's book became a bestseller and went into many reprints and editions. In 1980, he published a sequel, *Sweden: The Middle Way on Trial*. Childs was

attracted, during visits to Sweden in the 1930s, by the practical approach taken by consumer co-operatives to bring down prices, the methodical mobilisation of public support to this end, and the application of co-operative methods to provide quality low-cost housing and furnishings particularly for families with children. He also praised the pragmatic and efficient Swedish approach to industry development, generous but prudently planned aged pension arrangements, widespread participation in organisations including the trade unions, brilliance of art and design, the general sense of ‘moderation’ and social cohesion and what he saw as the way ‘the Social Democrats ... [were] committed to a cautious gradualism, advancing step by step with the approval of the overwhelming mass of the voters’ (Childs 1936, p. 164). Childs included a chapter on Denmark as well, mentioning how its ‘socialised education has produced advanced social laws, pertaining to women and children, public health, [and] the hours and conditions of labor’ (Childs 1936, p. 142). He was further impressed by the energy and scope of Swedish initiatives to reduce unemployment and to tackle the economic depression which bedevilled the world in the 1930s, identifying their basis in comprehensive revenue collection and astute expenditure.

The British Fabian Society also noticed the substantial achievements of the Social Democratic Party (SAP) governments of Sweden in the 1930s. Margaret Cole led a delegation to Sweden, which resulted in a set of essays published by the New Fabian Research Bureau in 1938 (Cole & Smith 1970). Looking to the Swedish model came to be associated with Tony Crosland and the moderate Right of the British Labour Party from the 1950s.

In 1977, Bob Carr, the future ALP Premier of New South Wales—and on the Right of his Party as was Crosland in Britain—could still uphold continental European social democracy as a respectable and successful alternative to what he characterised as the more ideologically simplistic position of the British and Australian labour parties (Carr 1977, pp. 8, 22). The long-standing view of Swedish social democracy as a pragmatic ‘middle way’ was mirrored in the French socialist Francois Mitterrand’s complaint, following the SAP’s 1976 election defeat after 44 continuous years in office, that Sweden’s social democrats had not pursued more radical measures such as the nationalisation of major industries (cited in Castles 1978, p. 3).

Other observers of Sweden took a different view, arguing that Swedish achievements were in fact radical. For example, in 1978, Francis Castles, a British-born scholar of Scandinavian social democracy, and of comparative public policy, challenged the perception that Swedish social democracy was merely moderate and middle-of-the-road. Castles criticised Crosland for not acknowledging the extent to which the success of Scandinavian social democratic parties in winning elections and implementing their policies was actually the result of their emphasis on being parties of and for the working class. He further criticised Crosland for not recognising those parties’ achievement in creating a clear egalitarian and welfare-orientated social democracy as the prevailing image of their societies, in contrast to the economic

individualism which continued to prevail as the dominant national ethos of Britain (Castles 1978, pp. 97, 119, 125, 127, 131, 141). Also in 1978, Swedish sociologist Walter Korpi argued that the 'historical compromise' that Sweden's comparatively strong labour movement had been able to impose on employers explained the SAP's policy successes (Korpi 1978, pp. 320–321). Then, in 1979, a Marxian sociologist in the United States, John D. Stephens, argued that Swedish social democracy had actually reformed society so radically that Sweden should rightly now be regarded as being close to a socialist country (Stephens 1979). Meanwhile, from the mid-1970s, observers from the resurgent free market Right also joined the debate about Sweden's 'middle way'. They put the Swedish model 'on trial' for its insistence on equality, high levels of taxation and universal welfare provision.

By the early 1980s, support for and interest in Sweden came to be more associated with the Left of academia and the labour movement than with the Right of the labour movement and politics as before. Increased interest in Sweden had been developing among the Left from the mid-1970s in various English-speaking countries, including in the United States, Canada, and Britain. This followed the assertive moves by Swedish trade unions to establish wage earners' funds, into which a substantial proportion of private sector profits would be placed to create union run accumulations of capital. This radical attempt to spread economic ownership more collectively indicated that the Swedish labour movement was challenging capitalism more fundamentally than previous depictions of it as merely pragmatic and reformist would have led many people to expect.

This interest in Sweden came to include the Australian Left and particularly the Communist Party officials involved in the AMWU from the mid-1970s. Winton Higgins, a Macquarie University academic and scholar of Sweden, was invited to participate in AMWU training schools during this period. (His writings are extensively referred to in *Australia Reconstructed*, particularly in the later chapters on industrial democracy and 'strategic unionism'; the report also refers to the work of John D. Stephens.) Leading Metal Workers Union official, Laurie Carmichael, made his first visit to Sweden in 1971, to attend the Stockholm Conference on the Vietnam War. The AMWU had actively opposed America's involvement in Vietnam from the war's inception in 1964. Sweden's Social Democratic Party government under Olof Palme was more critical of American involvement in Vietnam than any other government in the western world. Carmichael's growing disaffection with official Communism, especially after the Soviet suppression of the Prague Spring in 1968, was leading him to look towards alternative political approaches at that time and he, and other AMWU officers, developed relations with Swedish trade unions during the 1970s.¹ Crucially, the leadership of the AMWU was willing to actively support the

¹ This and further helpful information for this article has emerged from a personal interview I conducted in February 2006 with Laurie Carmichael, the Assistant National Secretary of the

Prices and Incomes Accord by 1983, following the heavy losses of manufacturing industry jobs in the recession which followed the success of its campaign for higher wages and shorter working hours in the preceding years.

The inability of other left-of-centre parties that were in government from the early 1980s, including (by then) Mitterrand in France, and Hawke in Australia, to follow through with the expansionary economic policies in their original platforms indicated how much the Swedish Social Democratic Party had actually achieved in preceding decades. This point was reinforced by the SAP's return to office in 1982 (albeit with a modified program), and the comparatively low unemployment rates which that government maintained in Sweden throughout the 1980s (see Boreham, Dow & Leet 1999, Figure 2.5). In 1985, the British Fabian Society renewed its interest in Sweden, publishing a pamphlet by a Labour-aligned journalist positively analysing *The Swedish Road to Socialism* (Linton 1985). In 1986, the same year that Carmichael and the other Australian trade unionists were in Stockholm, Canadian political scientist Henry Milner was also there, researching a book titled *Sweden: Social Democracy in Practice* (Milner 1989).

Many of Milner's findings were similar to those made by the Australian trade union delegates. He was impressed by what he called Sweden's 'solidaristic market economy'. He argued that Swedes had achieved comparative social equality with economic prosperity because of their distinctive sense of a:

complementary rather than contradictory relationship of the[se] two spheres. For Swedes ... the very possibility of maintaining a community where ... human relations are based on social solidarity ... is understood as conditional upon the community's "fitness" at surviving in the international economic jungle ... The institutionalised social solidarity around them enables Swedes to feel secure and thus prepared to follow the market in the promising directions it opens up (Milner 1989, pp. 16–17).

Similarly, *Australia Reconstructed* had observed that:

people threatened by adjustments which may force them to accept unemployment, job transfers or lower wages, will obviously oppose change. People with financial security are far better able to see changes as positive opportunities. The Swedes ... see a need to protect workers forced out of declining industries. In consequence, they have developed ... generous unemployment insurance, social welfare, early

AMWU at the time of the 1986 mission. I also conducted an informative, separate personal interview in February 2006 with another key instigator and member of that mission—Ted Wilshire, former AMWU national research officer, who was Executive Director of the Trade Development Council in 1986 and 1987.

warning of retrenchments and incentives to retrain, enhance skills and relocate. Rapid structural change can then become an avenue to increased career opportunities rather than a threat (Australian Council of Trade Unions & Trade Development Council 1987, p. 105).

Milner acknowledged that Sweden's 'small size and relative cultural homogeneity' (Milner 1989, p. 19) were factors conducive to solidarity. But he also emphasised the great effect that 'the actions and teachings of the SAP' had had in shaping 'the wide range of publicly oriented ... activities ... of Swedish voluntary associations ... [into] a "buffer zone" between the marketplace on the one side and the state bureaucracy on the other' (1989, p. 19). In Sweden, said Milner, this 'buffer zone is especially wide due to the participation by representatives of unions, business, and other interest organisations on publicly-mandated boards, agencies, and commissions, and the provision of important services to the public by the interest organisations themselves' (1989, p. 74). 'The knowledge required to live full, rich lives as members of their community and as human beings ... is woven into the very fabric of Swedish institutions' (1989, p. 154), he wrote. 'An informed, educated populace ... means a significant reduction in uncertainty. Sweden achieves this notably through free public education at all levels, a major effort at adult education, publicly owned communications media, and heavy expenditures on libraries, museums and popular culture' (1989, p. 42).

Milner also emphasised Sweden's encouragement of research and development. Similarly, *Australia Reconstructed* drew attention to the fact that in Sweden the Volvo motor company alone invested as much in research and development as did Australia's entire private sector (Australian Council of Trade Unions & Trade Development Council 1987, p. 87). Milner made the additional point that 'universality means that all Swedes, whatever their position in society, have to rely on the same network of services and thus have a stake in their quality and accessibility' (Milner 1989, p. 20). A book by an American political scientist, which positively analysed the enduring nature of the Swedish social democrats' *ideological* achievement, appeared one year after Milner's first book about Sweden (Tilton 1990).

Many leading scholars felt confident enough to see the successes of Scandinavian style social democracy—and the *social* corporatism of central and northern Europe more generally—as well-placed to guide the former Communist countries following the demise of the Soviet Union and the collapse of authoritarian rule in Eastern Europe (Castles 1991, p. 10; Pekkarinen et al. 1992). Instead, as we know, free market shock therapy was applied in the former Soviet Union and Eastern Europe, and the consequence has been a backlash from many people in those countries against the loss of security and material benefits which the changeover to capitalism has meant.

The optimism many social democrats felt at the time of the fall of Communism, like the *Australia Reconstructed* report, came not long before the 'Swedish model' came under real challenge and underwent further transition. From the early 1990s, overseas interest

in Sweden declined. It was (again) widely considered that the Swedish model was in crisis, because unemployment was shooting up there, as it was in most countries at that time. Many critics from English-speaking countries gleefully pronounced the Swedish model dead, arguing (for example, in regular articles in the *Economist* magazine) that the sharp rise in unemployment was an inevitable result of excessive regulation and welfare provision. Others have argued however—more convincingly—that the model survives, that it has adapted and prospered, and that Sweden continues to offer a substantial and successful alternative to the predominant policy approaches in English-speaking nations (Ryner 2002; Lindert 2004, Chapter 11).

Henry Milner for instance has continued to defend the Scandinavian nations' policy achievements since his 1986 visit, while acknowledging that some real setbacks have occurred. He has updated and widened his analysis with further books in 1994 and 2001 and has become a regular visiting professor at Sweden's Umeå University. In his most recent work he has emphasised the continuing strength and political importance of what he characterises as the high level of 'civic literacy' in Nordic nations, and the crucial importance that this plays in sustaining their welfare states (Milner 1994; Milner & Wadensjö 2001; Milner 2002).

An American-born and long-time Australian-based social policy academic, Professor Sheila Shaver, has also expressed confidence in the Swedish model, drawing on her first-hand study of Sweden in 1997–1998 (as the Kerstin Hesselgren Visiting Professor at Umeå and Stockholm universities). Shaver points out the 'high levels of public employment especially of women' (2004, p. 99) and 'the more robust conceptions [of equality] institutionalised in Scandinavian welfare states' (2004, p. 102). She argues that 'Nordic welfare reform has kept faith with its tradition of universalistic egalitarianism' (2004, p. 111) in contrast to the more conditional and residual character of welfare reform in Australia particularly since the election of the Howard Government (2004, pp. 99, 100).

The contemporary relevance of social democracy in northern Europe

Scandinavian countries are again now attracting interest for a range of distinctive policies and achievements. They are known for the priority they give to children's needs, rights and well-being (Therborn 1993). Garth Alperstein, a community doctor who works with children in south west Sydney, captured the essence of their approach in a speech to the Brotherhood of St Laurence conference on child poverty last year:

in Scandinavia, they believe in a substantial welfare support system and investing heavily in publicly funded education, child care and health ... [in contrast to] the countries that go for pure capitalism [which] have far more children living in poverty.

Part of the problem [in Australia] is that we're always comparing ourselves with the US and it's easy to look good (quoted in Overington 2005).

The latest evidence from the United Nations dramatically confirms this point. It shows that 14.7 per cent of children in Australia live in poverty, whereas the proportions in the four largest Nordic nations are: 2.4 per cent in Denmark, 2.8 per cent in Finland, 3.4 per cent in Norway and 4.2 per cent in Sweden (UNICEF 2005, p. 4). The Scandinavian countries and Finland have driven child poverty down to these internationally low levels mainly by increasing government support to children in the most needy households (UNICEF 2005, pp. 20–23). This achievement alone seems to me to be a very good reason why Australia now should look again beyond the confines of the English-speaking world to compare itself with—and aspire to the policy attainments of—what are the world's most successful countries.

The steady rise in support among Australians during and since the 1990s for more social spending rather than further tax cuts (Wilson, Meagher & Breusch 2005, pp. 104–105, 108–109) reflects concerns about the way our social infrastructure has been running down, to the detriment of future generations. The record of the four principal Nordic nations proves that societies can make policy choices to lift many more children out of poverty than Australia presently does. In many recent newspaper articles about specific policy problems facing Australia there has been an incidental paragraph or two, citing concrete evidence, about how much more successfully that problem is being tackled in one or more of the northern European nations. The articles have variously related to gender equality, family friendly policies, lifting children out of poverty, and investing in people's skills (see, for example, Smith 2006; Overington 2005; Colebatch 2006).

However, following through these passing mentions of Scandinavian policy successes into a more systematic study of the social and economic arrangements that have produced them will inevitably raise the objection that it is not possible to transfer programs from northern Europe into Australia's very different cultural and institutional setup. This was one of the regular responses to *Australia Reconstructed*. Indeed, it has been argued that the report did not succeed because it was an 'attempt to transpose northern European social democratic programs into a society [here] which lacks the cultural and institutional background to embrace those programs' (*Journal of Australian Political Economy* 1997, p. 2).

Certainly, the fact that trade unions have participated at a high level in national policy-making in Sweden since the landmark *Saltsjöbaden* agreement of 1938 did entrench processes there to an extent very difficult for an Australian government coming into office in the early 1980s to match—even if it had been genuinely committed to a wide-ranging partnership with trade unions. However, central figures in the Hawke and Keating Governments, and some senior officials in the ACTU hierarchy closest to them, never did genuinely consider or pursue the

recommendations in *Australia Reconstructed* (Jones 1997). The big difference between the Accord as practised in Australia from 1983, and the Swedish corporatism which partly inspired it, is that the political side of the labour movement in Sweden acted far more in the spirit of its agreements with the trade unions than did the ALP governments of the 1980s and 1990s.

The reason for this difference is that Australian Labor governments found it easier to follow the intellectually fashionable market liberal policies urged on them by powerful business constituencies and by the advocates of those policies in the commercial media and in the senior public service (as I have argued in detail before; see Scott (2000, pp. 78–86, 218–229, 244–245)). In Australia these constituencies and influences will continue to be arrayed against social democratic policies of the kind characteristic of northern Europe. However, there is also a powerful constituency in Australia alarmed by the setback to egalitarianism which the imposition of these market liberal policies has meant, and concerned about the high levels of child poverty, the lack of work/life balance and the decline of industry and trade skills that these policies have caused. This constituency can now be effectively mobilised in support of social democratic policies by a more intellectually self-confident and imaginative Australian labour movement which draws attention to proven possible alternatives to market liberalism.

Opposition to looking further at the Nordic nations' continuing successes derives in part from the premise that national policy directions are 'path dependent', that seemingly minor decisions taken decades ago have so multiplied in importance by being enshrined into a set of patterns and routines that they are just too difficult to alter or to contemplate following in other nations. But this notion of 'path dependence' should not be pushed so far as to mean that Australia is confined forever to a comparatively market liberal economic policy course—compelled to forsake an adequate manufacturing base, for instance; and fated to suffer continued rates of child poverty far higher than those of Sweden, Denmark, Norway and Finland. The notion of 'path dependence' also contradicts that other widespread notion, that a tide of 'globalisation' is so rapidly eroding all the features that used to differentiate nation states that individual countries cannot any longer uphold their distinctive past institutions and practices. If we do accept to some extent the proposition that we live in more fluid and 'globalised' times today, then we cannot also accept a dogmatic proposition that our policy choices are forever frozen and predestined by paths pursued and institutions introduced many decades ago.

Australia can definitely learn from the particular success of Denmark's vocational training policy in reducing unemployment and skills shortages in that country (see Colebatch 2005). Finland has also attracted positive attention from the Organisation for Economic Cooperation and Development (OECD), for the contribution of the vocational training in that country's polytechnics to its success in building up an information economy since the early 1990s (OECD 2003). Australia now faces the

problem that not enough school-leavers are going into traditional trade apprenticeships, which results in damaging skill shortages in crucial areas. This situation compares poorly with the much stronger vocational education and training performance in northern European economies. The Australian trade union delegates saw this two decades ago. They did not visit Denmark or Finland, but they were impressed by the vast resources invested in vocational training to develop a highly skilled workforce in what was then West Germany. The unionists admired the way that improving the skill base of the workforce was not regarded in Germany as a last-resort, defensive activity, undertaken to relieve temporary skill shortages or to cope with the threat of retrenchments, but was an essential component of long term business strategies for competitive advantage (Australian Council of Trade Unions & Trade Development Council 1987, pp. xiii, 108, 118).

Germany, like the other large nations of continental Europe, however, is now frequently attacked in the financial press, and by Australian, American and British politicians, for an alleged 'failure to adapt' economically. The English-speaking countries, because they have strongly embraced neo-liberal 'flexibility', claim to have become more successful than the large continental European countries. However the particular problems caused by the reunification of West with East Germany must not be left out of any assessment of Germany's recent economic difficulties. Andreas Busch, in an important article, has questioned 'whether the case for fundamental change in Germany has really been made in a credible and convincing way' (Busch 2005). German-manufactured BMWs, Mercedes and Audis and 'German-engineered' cars continue to be extolled in the advertising columns of the very same Australian newspapers the editorials of which routinely criticise Germany's current economic performance. These and Swedish-made SAAB vehicles continue to be popular exports; while Scania continues to be a very visible presence among the trucks—and Volvo among the buses and cars—driven on Australia's roads. This shows the rewards of the Nordic and broader northern European approach to competing internationally in manufacturing industry on the basis of quality products rather than seeking to compete simply on the basis of price, with the inevitable downward pressure which this places on workers' wages. The rewards to the countries concerned will be more durable than Australia's economic over-reliance now—yet again—on a short-lived commodity prices boom.

While OECD data does show unemployment in continental Europe *overall* as currently much higher than in Britain, the United States and Australia, this and other data also show that there is still, unequivocally, much that is distinctive and positive in Scandinavia from which to learn. Sweden, with its continuing deployment of active training programs, like the other main Nordic nations, has returned to low levels of unemployment in the 2000s, unlike other nations in continental Europe. In the period since 1974 as a whole, as Geoff Dow points out, Sweden and Norway have had some of the lowest unemployment rates in the world (Dow 2004, p. 5).

Differences between the 'Anglo-American' countries with their 'liberal market economies' (LMEs) and the northern European countries with their 'co-ordinated market economies' (CMEs) have been highlighted in literature analysing 'varieties of capitalism'. The leading authors in this field contend that globalisation does not mean that economies must converge to a single Anglo-American model. They indicate that the CMEs have achieved economic progress with less inequality than the LMEs, and that CMEs are more likely to support incremental innovation (Hall & Soskice 2001, pp. 21, 39).

A recent comprehensive compendium of statistics on *How Australia Compares* (Tiffen & Gittins 2004) shows that in terms of income (GDP per capita), the relatively expansive welfare state nations of Norway and Denmark are richer than Australia (Table 3.2). Meanwhile, the poorest 10 per cent of Swedes, Finns, Norwegians, and Danes continue to be richer than the poorest 10 per cent of Britons, Australians, Americans, and Canadians, due to the much fairer and more equal distribution of income in the Nordic nations (Table 8.3). And the data also show that unemployment rates in Sweden, Norway, and Denmark are lower than in the United States, Britain, Australia, and Canada (Table 4.12).

Further, a recent report on global competitiveness showed Australia falling to 14th position and Britain in 11th spot whereas Nordic nations took four of the top six rankings (World Economic Forum 2005). These results question prevailing 'hyperglobalist' assumptions. They support the contentions made by researchers such as Manuel Castells and Pekka Himanen (2002) that the most effective economies in the world are those which function in the most cohesive and egalitarian societies. They reflect the findings that, contrary to the intuition of many economists and the ideology of many politicians, social spending that redistributes income has contributed to—rather than inhibited—economic growth (Lindert 2004). The world dominance in mobile phones of Finland's Nokia is one of many examples of Nordic nations' continuing success in achieving technological innovation in societies with strong public sectors. Sweden, Norway, Denmark, and Finland also continue to run trade surpluses (Tiffen & Gittins 2004, Table 3.9).

Australia had the lowest proportion of the labour force employed in manufacturing of eighteen developed countries compared in the late 1990s (with just 13.7 per cent) whereas Sweden, Denmark and Finland were in the middle to upper band of this Table with 19.2, 19.8 and 20 per cent respectively employed (Tiffen & Gittins 2004, Table 3.14). Since the late 1990s there has been a further decline in manufacturing employment in Australia. Critics of continental Europe argue that high proportions of manufacturing employment are an economic weakness compared with the more 'modern', 'diversified' economies of the English-speaking countries. However, maintaining a solid manufacturing base may be a longer term strength compared with countries in which very few people actually make anything tangible, and given the vulnerability which economies without a manufacturing base have shown in the past. At the same time that Sweden remains in the middle of the table of OECD nations

in terms of manufacturing employment, it continues to be at the top of the OECD league in terms of investment in research and development (OECD 2005, A.2). This shows that becoming a 'knowledge economy' can be compatible with maintaining a substantial manufacturing sector. The Swedish approach provides a better economic future than a continually shrinking manufacturing industry in proportional terms, and deteriorating trade balances, which unfortunately continue to be trends in Australia.

Francis Castles (2002, p. 49) suggested several years ago that industrial relations changes by successive Australian governments from the 1990s had so eroded the egalitarian labour market that underpinned Australia's distinctive welfare state that a positive future might require attempts to redesign Australian welfare institutions along more European lines. This argument seems compelling now that the Howard Government's workplace laws threaten to sweep away entitlements that generations of Australians had long assumed they would keep. Given this situation, the comparative success of those northern European countries which have taken clearly different, more co-operative, and enlightened economic and social policy approaches needs to be considered again—not just in passing; but as a thorough and proven possible alternative direction for Australia.

Phillip Mendes has canvassed the idea that in Australia:

a social democratic think-tank committed to relevant and accessible research has the potential to influence welfare policy debates [and] it is possible ... to see such a think-tank organising prominent visitors from the Scandinavian countries who can extol the virtues of extending, rather than cutting, welfare programs (2003, p. 185).

This would certainly make a refreshing change from the usual free market fare dished up by visiting social policy commentators from the United States. According to three scholars who specialise in the field:

the Scandinavian model remains a potent indicator of the limitations of the powers of globalisation ..., the capabilities of individual nations to pursue distinctive policy strategies, the capacity of the Left to oppose and successfully counter international market forces, and the ability of social democratic parties to adapt to the demands of a changing international order (Moses et al. 2000, p. 18).

For these reasons, social democracy in northern Europe remains of great relevance to Australia today. It can and should be revisited as a policy option by Australian Labor, with more genuine interest and perseverance than the Party showed when the option was explored twenty years ago.

REFERENCES

- Australian Council of Trade Unions & Trade Development Council 1987, *Australia Reconstructed: ACTU/TDC Mission to Western Europe: A Report by the Mission Members to the ACTU and the TDC*, Australian Government Publishing Service, Canberra.
- Boreham, P., Dow, G. & Leet, M. 1999, *Room to Manoeuvre: Political Aspects of Full Employment*, Melbourne University Press, Melbourne.
- Busch, A. 2005, 'Globalisation and national varieties of capitalism: The contested viability of the German model', *German Politics*, vol. 14, no. 2, pp. 125–139.
- Carr, B. 1977, *Social Democracy and Australian Labor*, NSW Labor Day Committee, Sydney.
- Castells, M., & Himanen, P. 2002, *The Information Society and the Welfare State: The Finnish Model*, Oxford University Press, Oxford.
- Castles, F.G. 1978, *The Social Democratic Image of Society: A Study of the Achievements and Origins of Scandinavian Social Democracy in Comparative Perspective*, Routledge & Kegan Paul, London.
- Castles, F.G. 1991, 'A century of parliamentary socialism: A comparative overview', *Legislative Studies*, vol. 5, no. 2, pp. 3–10.
- Castles, F.G. 2002, 'Australia's institutions and Australia's welfare', in *Australia Reshaped: 200 Years of Institutional Transformation*, eds G. Brennan & F.G. Castles, Cambridge University Press, Cambridge.
- Childs, M.W. 1936, *Sweden: The Middle Way*, Yale University Press, New Haven.
- Childs, M.W. 1980, *Sweden: The Middle Way on Trial*, Yale University Press, New Haven.
- Cole, M. & Smith, C. (eds) 1970 (1938), *Democratic Sweden: A Volume of Studies prepared by Members of the New Fabian Research Bureau*, Books for Libraries Press, New York.
- Colebatch, T. 2005, 'Denmark: Not just a pretty face on the job front', *The Age*, 15 March.
- Colebatch, T. 2006, 'Australia marked down on training', *The Age*, 14 June.
- Confederation of Australian Industry 1987, Employer perspectives on the ACTU/TDC report 'Australia Reconstructed', Confederation of Australian Industry, Melbourne.
- Council of Social Service of New South Wales 1988, *Australia Reconstructed: What's in it for the community services industry?*, Council of Social Service of New South Wales, Sydney.
- Dow, G. 2004, The political economy of corporatism, paper presented to the Australian Society of Heterodox Economists Conference, University of New South Wales, Sydney, 13–14 December.
- Hall, P.A. & Soskice, D. (eds) 2001, *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*, Oxford University Press, Oxford.
- Hyde, J. 1987, 'ACTU corporatism was a failure in Mussolini's Italy', *The Australian*, 28 August.
- Jones, E. 1997 'Background to *Australia Reconstructed*', *Journal of Australian Political Economy*, no. 39, pp.17–38.

- Journal of Australian Political Economy* 1997, Editorial: 'Australia Reconstructed: 10 years on', no. 39, pp. 1–6.
- Korpi, W. 1978, *The Working Class in Welfare Capitalism: Work, Unions and Politics in Sweden*, Routledge & Kegan Paul, London.
- Lindert, P. H. 2004, *Growing Public: Social Spending and Economic Growth since the Eighteenth Century*, Cambridge University Press, Cambridge, vol. 1.
- Linton, M. 1985, *The Swedish Road to Socialism*, Fabian Society, London.
- Mendes P. 2003, *Australia's Welfare Wars: The Players, the Politics and the Ideologies*, UNSW Press, Sydney.
- Milner, H. 1989, *Sweden: Social Democracy in Practice*, Oxford University Press, Oxford.
- Milner, H. 1994, *Social Democracy and Rational Choice: The Scandinavian Experience and Beyond*, Routledge, London.
- Milner, H. 2002, *Civic Literacy: How Informed Citizens Make Democracy Work*, University Press of New England, Hanover.
- Milner, H. & Wadensjö, E. (eds) 2001, *Gösta Rehn, the Swedish Model and Labour Market Policies: International and National Perspectives*, Ashgate, Aldershot.
- Moses, J.W., Geyer, R. & Ingebritsen, C. 2000, 'Introduction', in *Globalisation, Europeanisation and the End of Scandinavian Social Democracy?*, eds R. Geyer, C. Ingebritsen & J.W. Moses, Palgrave, Basingstoke, pp. 1–19.
- Organisation for Economic Cooperation and Development 2003, *Reviews of National Policies for Education: Polytechnic Education in Finland*, Organisation for Economic Cooperation and Development, Paris.
- Organisation for Economic Cooperation and Development 2005, OECD Science, Technology and Industry Scoreboard—Towards a knowledge-based economy [Online], Available: <http://www.oecd.org/sti/scoreboard> [2006, Jul 25].
- Overington, C. 2005, 'Falling through the cracks', *The Weekend Australian*, 3–4 December.
- Pekkarinen, J., Pohjoia, M. & Rowthorn, B. (eds) 1992, *Social Corporatism: A Superior Economic System?*, Clarendon Press, Oxford.
- Ranald, P. 1988, 'Unions unreconstructed?', *Australian Left Review*, no.105, pp. 10–11.
- Robertson, T. 1987, 'Swipe at morals of Swedish role model', *The Australian*, 20 August.
- Ryner, J.M. 2002, *Capitalist Restructuring, Globalisation and the Third Way: Lessons from the Swedish Model*, Routledge, London.
- Scott, A. 2000, *Running on Empty: 'Modernising' the British and Australian Labour Parties*, Pluto Press Australia and Comerford & Miller UK, Sydney and London.
- Shaver, S. 2004, 'Welfare, equality and globalisation: Reconciving social citizenship', in *Globalisation and Equality*, eds K. Horton & H. Patapan, Routledge, London, pp. 95–113.
- Smith, J. 2006, 'The challenge to have more babies is a taxing one', *The Sydney Morning Herald*, 14 April.

- Stephens, J.D. 1979, *The Transition from Capitalism to Socialism*, Macmillan, London.
- Stretton, H. 2005, *Australia Fair*, UNSW Press, Sydney.
- Therborn, G. 1993, 'The politics of childhood: The rights of children in modern times', in *Families of Nations: Patterns of Public Policy in Western Democracies*, ed. F.G. Castles, Dartmouth, Aldershot, pp. 241–291.
- Tiffen, R. & Gittins, R. 2004, *How Australia Compares*, Cambridge University Press, Cambridge.
- Tilton, T. 1990, *The Political Theory of Swedish Social Democracy: Through the Welfare State to Socialism*, Oxford University Press, Oxford.
- Toyne, P. 1991, 'Trade unions and the environment', in *Labour Movement Strategies for the 21st Century*, Evatt Foundation, Sydney, pp. 25–31.
- UNICEF 2005, Child poverty in rich countries 2005, UNICEF Innocenti Research Centre Report Card No. 6, Florence [Online], Available: <http://www.unicef-irc.org/publications/pdf/repcard6e.pdf> [2006, May 7].
- Williams, P. 1987, 'ACTU report branded as dangerous by CAI head', *Financial Review*, 17 September.
- Wilson, S., Meagher, G. & Breusch, T. 2005, 'Where to for the welfare state?', in *Australian Social Attitudes: The First Report*, eds S. Wilson, G. Meagher, R. Gibson, D. Denemark & M. Western, UNSW Press, Sydney, pp. 101–121.
- World Economic Forum 2005, The Global Competitiveness Report 2004–2005 [Online], Available <http://www.weforum.org/gcp> [2005, Aug 20].