

Third Way Decomposition and the Rightward Shift in Finnish and Swedish Politics

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This is an Accepted Manuscript of an article published by Taylor & Francis in *Contemporary Politics* on 03/09/2012.
Available online: <http://www.tandfonline.com/doi/abs/10.1080/13569775.2012.702975>.

Abstract

Recent elections in Sweden and Finland are of note for contemporary politics. They confirm that the rightward shift in Nordic politics is not confined to Norway and Denmark but forms a more general trend. This includes increased appeal of both mainstream conservatives and populist radical right forces. This article contextualises this phenomenon within broader European developments. In accounting for the shift in question, the article stresses the cumulative effects of choices made by erstwhile centre-left hegemonic agents, most notably the consequences of the so-called Third Way. This perspective has the merit of providing a way for holding politicians accountable, and it avoids the fatalism entailed in invoking 'inevitable' structural developments.

Keywords

Finland, Sweden, Social Democratic parties, Conservative parties, populist radical right parties, The Third Way

Introduction

Recent election results in Sweden (September 19, 2010) and Finland (April 17, 2011) confirm that the electorate is shifting decisively to the right not only in Norway and Denmark but in the Nordic region as whole, once known as the sunlit uplands of social democracy.

These elections warrant the question of whether this finally is the end of the erstwhile electoral

dominance of organised working class and agrarian interests, secured through 'historic' socio-economic and corporatist compromises with an export oriented but nationally organised business communities (Alestalo and Kuhnle, 1987; Marklund, 1988). The results were exceptionally poor for the previously hegemonic Social Democratic and Centre Parties. For the first time since the end of World War II, their combined vote in both Sweden and Finland was below 40 per cent.

It is rather the mainstream Conservative parties – previously the right-wing fringe of established politics – that now are the leading political force in Finland as well as in Sweden. In Sweden, the Conservative-led bourgeois coalition government – known as 'The Alliance' – was re-elected. No other bourgeois government in post-war Sweden had been able to achieve re-election. In Finland, the National Coalition Party (Kok.) became, for the first time in history, the biggest party in the Finnish Eduskunta. As a consequence, their leader Jyrki Katainen became only the third conservative post-war Prime Minister after J.K. Paasikivi (1944-46) and Harri Holkeri (1987-91).

However, since they struggle to secure stable Parliamentary majorities, these parties are hardly hegemonic. The crisis of political representation of significant strata of the electorate has rather created a vacuum. In part, this has originated from a decrease of turnout of working class voters (Hedberg, 2009: Figure 3; Martikainen, Martikainen and Wass 2005: 648; Ministry of Justice 2009). But the populist radical right parties are also now filling the vacuum. Following broader European trends in countries where social democracy had both an impressive long-term track record and enjoyed successful trends of incumbency in the 1990s, such as Austria, the Netherlands, and indeed Denmark and Norway, populist radical right parties are now entering the political system in a serious way in Finland and Sweden. Almost quintupling their votes from 4.1 to 19.1 per cent, the populist-nationalist True Finns (Perussuomalaiset), with their roots in a 1950s splinter group of the Agrarian movement, were the unequivocal victors of the Finnish elections. With 5.7 percent of the vote, the Sweden Democrats – a party with roots in the neo-Nazi movement – entered the Swedish Parliament for the first time in 2010. With 20

Members of Parliament and depriving both the red-green and the bourgeois blocs of an overall majority, they have significantly changed the dynamics of the Riksdag.

Since these contemporary developments seem to confirm a more general trend previously manifest in Norway and Denmark that already has been subject to considerable attention (Goul Andersen and Bjørklund 1990; Oesch 2008; Bale et al. 2010). This article offers a detailed analysis of the two Nordic ‘latecomers’ to the rightward shift. This helps shed further light on what might be seen as a wider Nordic and indeed European phenomenon. However, comparing Finland and Sweden can also be seen as a ‘most different’ comparison in a Nordic context. Ever since Korpi’s (1978) original formulation of the working class power mobilization theory, it can be argued that in Sweden social democracy has been most hegemonic within the Nordic region while in Finland it has been weakest. The convergence we are now witnessing in electoral terms between Finnish and Swedish politics potentially provides further impetus to the idea that we are witnessing a more general phenomenon. This article situates these developments, then, within a broader Nordic and European context.

Some analysts have attributed the trends that are relevant to our argument to structural phenomena, such as ‘globalisation’ or ‘postindustrialism’. We do not deny that such arguments have certain purchase in delineating changing constraints and prospects, but they are insufficient in accounting for outcomes. We rather stress the cumulative results of the failure of the so-called ‘Third Way’ that the European centre-left pursued in the 1990s. The Third Way has contributed to these developments *inter alia* in two ways. First, by weakening the institutions upon which Social Democratic and Centrist hegemony was based. These institutions maintained political cohesion of these political blocs by containing inequality, poverty and social exclusion (e.g. Esping-Andersen, 1985; 1990). By doing this, we argue that the Third Way created a set of opportunities¹ that Conservative and populist radical right parties have been

¹ ‘Opportunity’ as applied here has a particular analytical meaning and takes inspiration from social movement theory (e.g. Tarrow, 1998). We follow Zaslove (2006) in adopting the concept to electoral politics. Originally, the prospective success of a social movement (or by extension an electoral protagonist) was seen as dependent on openings provided by an exogenously given social and political structure. Subsequent thinking, however, stresses the significance of agential perceptions and strategies in

able to exploit. Second, by privileging finance-led capitalism over socio-cultural and political logics/discourse, the Third Way has created a rhetorical milieu that in different ways has been propitious for the successes of Conservative and the populist radical right strategy.

In other words, perhaps somewhat controversially, we assert a ‘primacy of politics’ (Berman 2006). We regard Nordic political actors as, at least partially, masters of their destinies that can be held accountable for the strategic choices that they make. This is not to deny that those who invoke structural trends point to something that is real. However, given that Daniel Bell pointed towards it already in the early 1970s (1974), postindustrialism is nothing new and it forms part of an ‘electoral dilemma’ that the Nordic Centre and Social Democratic hegemonic parties have managed rather well for a rather long time (Esping-Andersen, 1990). Therefore, it seems sensible to query why they have become less successful in managing this dilemma during the recent decade or so rather merely pointing to structural change as such. Associated with some of the widely debated structural transformations, globalisation refers to trends of more recent vintage. However, it is a term that rightfully is criticised for its analytically imprecise and, hence, questionable nature (Rosenberg, 2000; Hirst, Thompson and Bromley, 2009). Above all, transnational developments are not quasi-natural processes beyond politics without subjects (Hay, 2002b). Whilst they do not dictate these developments, Nordic political actors are not without consequence in that regard and they can reasonably be held accountable for their strategic orientation towards these challenges.

The article is divided into three parts. The first of these draws attention to the character and strategic imperatives of hegemonic mass parties. The second section situates developments in a European context and outlines the cul-de-sac of the Third Way as a concept for mass party strategy. This is followed by an account of the successful exploitation by mainstream conservative and populist radical right parties of the vacuum created by the decomposition of the Third Way. As a logical consequence of our finding about the

such socio-political contexts for generating opportunities, as well as the impact of such strategies on social and political structure. For a theoretical elaboration from structuralism to such a strategic-relational conception, see for instance Hay (2002a).

importance of political agency we conclude, however, that the rightward shift is not immutable or irreversible. Nordic Social Democrats and Centrists may well regain their hegemonic status. But that would demand the recovery of strategic vision and the confidence to act on this vision in a battle over values and ideas.

The Centre and Social Democratic Parties as Hegemonic Mass Parties

The Social Democratic and Centre Parties have until recently been the hegemonic 'natural parties of government' in Sweden and Finland. Although, the particular constellation of Finnish governmental coalitions has varied, the Agrarian League/Centre Party (Maalaisliitto/Suomen Keskusta) and the Social Democratic Party of Finland (Suomen Sosialidemokraattinen Puolue, SDP) were the main forces of such coalitions during most of the post-war era from 1951 until 1987. In the late 1980s, there was a rare coalition between the Social Democrats and the Conservatives and, perhaps characteristic to the political climate of the immediate post-Cold War years, Finland had a bourgeois government between 1991 and 1995 and more recently between 2007 and 2011. These exceptions notwithstanding, the Social Democrats and the Centre Party have been the undoubted hegemonic forces of Finnish politics. In addition to being the 'natural parties of government', only the Centre Party and the SDP have been able to win Presidential Elections. However, characteristic of the 'rightward shift' this changed in the 2012 presidential elections when neither party was able to get their candidate even to the second round. While the Presidential Election is more about personalities than party politics, it is interesting to note that the Centre and Social Democratic candidates managed received a total of only 25.5 percent of the national vote in the first round of the election.

Formal coalitions between the Swedish Social Democratic Party (Sveriges socialdemokratiska arbetareparti, SAP) and the Agrarian/Centre Party (Bondeförbundet/Centerpartiet or Centrum) have been more rare, with the 1951-57 coalition as

the only case in point. Swedish Social Democrats and the Centre have rather been the main electoral rivals in party politics. But that does not mean that there has not been a great deal of understanding between them. The 1933 'Cow Deal' (kohandeln), where the Agrarians supported Social Democratic unemployment insurance and family policy reforms, and what is reputed to have been Europe's first Keynesian budget, in exchange for price controls and subsidies in the agricultural sector, is generally considered an emblematic event in the forging of the so-called 'Swedish Model' (e.g. Ryner, 2002: p. 61). It helped define the welfare capitalist norms of consensus and the 'logic of appropriateness' (pace March and Olsen, 1989) of mainstream party competition, which endured irrespective of the particular officeholder.

It would be all too tempting to attribute the decline of the Social Democratic and Centre Parties to structural trends such as the decrease of the proportion of voters that are industrial workers or farmers. Whilst such social developments most certainly change the conditions under which these parties have to contend to develop workable majorities, there is no correlation for instance between fewer industrial working class voters and Social Democratic electoral fortunes over time (Kitschelt 1994), and that for perfectly understandable reasons. This is because such interpretations would be based on overly simplistic inferences of the relation between deep socioeconomic structures and electoral politics.

For one, no political party with serious pretensions to be hegemonic can present itself as the political spokesperson of a narrow corporate-economic grouping. Mass parties must seek to appeal to a wide and multifarious range of socio-political subjectivities in society, and at the same time reconcile heterogeneous and composite bases of support with a coherent policy platform that can plausibly be presented as 'rational', for the 'general good' and in the 'national interest'. This, indeed, was one of the decisive reasons behind the success of the Swedish social democrats in the post-war era. From the very beginning, they were "a people's party" and adopted what their first Party Leader Hjalmar Branting called a "big tent" approach (Berman 2006: 157). The stability of the combined level of support of the Social Democratic and the Centre parties both in Sweden and Finland does indeed suggest that they have until recently been rather successful in being parties for the people. Indeed, it has widely noted that the

universal welfare state itself made at least the Social Democratic parties appealing for white collar workers for both material and normative reasons (Esping-Andersen, 1990; Rothstein, 1997).² The puzzle is, why has this appeal declined? The much-referenced ‘fickleness’ (e.g. Oscarsson and Holmberg, 2010) is a symptom rather than a cause of hegemonic decline. It is not an explanation in itself, in other words, but something that needs to be explained.

The total share of the Social Democratic and Centrist vote in Finland was remarkably stable between 40 and 50 percent throughout the postwar period, until the 2011 election (Figure 1). Furthermore, the Finnish Social Democrats enjoyed their largest post-war success in the 1995 elections (28.25 per cent), at a time when the political zeitgeist was very much about post-industrialism and global competitiveness.

Whilst there has been a decline in Sweden, this is to a large extent explained, until the last couple of elections by the decline of the Centre Party, which in contrast to the Social Democratic parties and its Finnish sister party, has not been able to assert itself as a credible mass party (Figure 2). That is, except for a brief period in the late 1960s and early 1970s when, prior to the rise of the Green Party (Miljöpartiet), the Centre Party reached beyond the agrarian base to some urban voters by thematizing ecological issues and decentralization.

[Figure 1 here]

[Figure 2 here]

Hence, the first step in explaining the recent shift to the right would be to account for the rather recent failure of hegemonic strategies by the traditional Swedish and Finnish mass parties, and that inevitably brings us to the question of the Third Way.

² For a more general argument about the way that the welfare state creates its own constituencies, see Pierson (1993).

The Transnational Context: The Cul-de-Sac of the Third Way

The Third Way emerged as an ideological concept of European social democracy in the mid-1990s, largely as a result of Tony Blair's ascent to leadership of the British Labour Party and his subsequent electoral victory in 1997. It is in many respects surprising that British Labour would become the beacon of social democratic renewal. After all, if one were to look for past social democratic achievements in Europe, the British Isles would hardly be the first place that would come to mind. Nordic social democracy has been unrivalled in terms of electoral success and social policy achievements during the post-war era. Furthermore, as small export oriented economies the Nordic countries had always had to achieve their objectives whilst facing balance of payments constraints and competitive pressures from the international market (Esping-Andersen, 1985; Katzenstein, 1985). True, Nordic social democracy had faced strains as severe as anywhere else in Europe during the stagflation decade of the 1970s. However, it would be grotesque to suggest that British Labour, with IMF loans and the winter of discontent was a role model for how to deal with the 1970s crisis and its aftermath.

Despite this, it was with an eye to Britain and America that Ingvar Carlsson, Göran Persson, and Paavo Lipponen, together with Wim Kok, Gerhard Schröder, and even Lionel Jospin, returned social democratic parties to government in the 1990s. Global financial dynamics, much more than global competition as such, are central to any attempt to make sense of this surprising turn of the gaze to the British Labour Party. Europe's export oriented social market economies had been developed under the permissive structures of the Bretton Woods system, which had enabled the maintenance of a set of nationally segmented financial systems. Bank-finance ensured long-term relations between financial and productive capital and time horizons in investment, which in turn ensured *inter alia* productivity growth through technological change, corporatist bargaining, and high social wage growth, flanking full employment macroeconomic policies (e.g. Boyer and Hollingsworth, 1997: pp. 436-37; Coates, 2000). The collapse of the Bretton Woods system and the growth of global financial market, starting in the currency markets, but increasingly extending into other areas first via the bond

market, increasingly strained the nationally segmented systems (Grahl, 2001). This became clear in the capital flights from France during the first years of Mitterand's presidency. But also elsewhere, including the Nordic countries, the aftermath of the collapse of the Bretton Woods had corrosive effects (Mjøset et. al., 1986; Ryner, 1997). Mitterand's U-turn is only the most famous of the strategic accommodations made by social democratic governments, whereby they sought to subordinate institutions and policies in their jurisdictions to the perceived exigencies of global finance.

The appeal of the Third Way in the 1990s was that it made a virtue out of such accommodations. Perceived necessity was engendered with a positive vision through the embrace of the efficient market hypothesis and pragmatic monetarism (e.g. Balls, 1998). Intoxicated by the possibilities offered by the return to power, European social democrats sought to redefine the political centre and widen their appeal to a broader post-industrial knowledge society (Ryner, 2002: pp.). This was done partly in good faith, as it was made clear by many that old-style social democracy would not be able to survive in the post-industrial age. Indeed, in the wake of the deep recession of the mid-1990s, the 'Nordic Model' had fallen from grace. For instance, Anthony Giddens' (1998) version of the Third Way dismissed it as an outdated form of 'traditional' social democracy incapable of dealing with the perceived exigencies of technological change, ever more footloose flows of investment capital and the post-industrial risk society more generally. 'Unconditional' social citizenship entitlements were singled out as the culprits in the drama as they were seen as promoting 'moral hazard', prompting the call for conditionalities and responsabilisation of social citizenship on the principle of 'no rights without responsibilities', and putting a premium on personal pension savings and workfare policy (Giddens, 1998; see also Putnam, 2000; Blair and Schröder, 1997; Persson 2007; Lipponen 1998). At a time when social democratic accommodation to a market-oriented neoliberalism was seen as a necessity, even its erstwhile champions seemed to agree with Giddens' assessment (see, notably, Esping-Andersen 1996, 1999).

Hence, the Third Way was set up as a project for saving social democracy and adapting it to the new 'realities' of the globalised world. In Sweden, this form of reasoning provided a

rationale for the abandonment of full employment as an unconditional macroeconomic commitment by the state, the reduction of social insurance replacement rates, pension reform, and the acceptance of the so-called 'Europe-norm' of price stability as the key point of reference in wage bargaining, which followed in the wake of the Nordic banking crisis in the early 1990s (Ryner, 2002: pp. ; Lindberg and Ryner, 2010). In Finland, however, the Social Democrats, led by Prime Minister Lipponen, emphasised full employment as a strategic goal while the policy changes were clearly more in line with the policies of their Swedish colleagues. Cuts in social spending and workfare were the policy tools the Lipponen government used from the beginning (NOSOSCO 1997). This policy change, while often supported through traditional discourse of, for example, full employment, can be seen as a sign of a shift away from the normative foundations of the universal welfare state based on social rights, equality and the responsibility of the state to provide welfare for its citizens (Kosonen 1998; Julkunen 2001).

This appeal of the Third Way was not lessened by the fact that when the social democrats returned to office in the 1990s, they did so in a European Union that had just implemented the Single Market, and was in the midst of completing the European Monetary Union (EMU). Financial markets were at the centre of it all. A third of the additional growth that was envisaged to arise from the Single Market was attributed to liberalization of financial services (European Commission, 1985). Not surprisingly, therefore, the Financial Services Action Plan (FSAP) became pivotal to the so-called Lisbon Agenda, instigated at the height of governmental power of the Third Way governments in the EU Council of Ministers. The FSAP was articulated with welfare policy especially through pension reforms, increasingly abandoning pay-as-you-go in favour of actuarial schemes (Clark, 2002; Bieling, 2006; Jenson and Pochet, 2005; van Apeldoorn and Hager, 2010). Outside the UK, Swedish social democracy has been among those that have gone the furthest in that regard. Rather than merely hollowing out existing pay as you go schemes through parametric fiscal austerity and encouraging private pension savings as an auxiliary, the core of the Swedish pensions contains decisive actuarial elements after the 1999 reform (Belfrage and Ryner, 2009).

Given the pivotal position of the City of London in global finance, it is no coincidence that the epicentre of the ideas connected to the Third Way would reside in Britain, the country that most plausibly could develop an export-oriented niche strategy based on financial services. Yet, it is exactly this system that was thrown into crisis in 2008 as a result of the contagion effects starting in the subprime mortgage market in the United States. However outside Britain, the problems and inherent limitations of this strategy for European social democracy precede the financial crisis, which has merely produced the cataclysmic manifestation of a dead end. Whilst European social democrats looked to New Labour, New Labour was in turn taking inspiration from Bill Clinton's New Democrats in the United States and their pursuit of welfare objectives through markets. The financial crisis has demonstrated the fallacy of the intellectual premise behind the FSAP and the Lisbon Agenda, understanding the high growth rates and low unemployment of the US as residing on the 'supply side' of the economy, in highly capitalized and supposedly efficient financial markets and in flexible labour markets (Sapir et. al., 2003). A more plausible explanation, which also is more consistent with the persistence of the American 'twin deficits', is to be found on the 'demand side' of the economy (Crouch, 2009) and in the manner in which the United States successfully managed to maintain its hegemonic position in the transnational monetary and financial system after the collapse of Bretton Woods in 1971.

In the course of three decades preceding the current financial crisis, the US demonstrated an impressive capacity to convert debt into sustainable capital accumulation and growth. This capacity rested *inter alia* on three factors (Seabrooke, 2001; 2007; Dumenil and Levy, 2004; Konings, 2011). The first was the seigniorage privilege that made it possible to finance huge current account deficits through the differential return of US investments abroad compared to foreign investments in the US. The second factor was the capacity to convert debt into corporate investments via highly capitalised securities markets, which in turn depended on its institutional complementarity with the market-based US system of corporate governance. The third factor pertains to another institutional complementarity associated with America's residual welfare state, namely the manner in which the US system of retail finance articulated production with final consumption through consumer debt. In contrast to the post-war 'Fordist'

period, when growth was tied to wage increases via productivity growth, deregulated and numerically flexible labour markets meant that consumption could no longer be sufficiently stimulated directly through the wage relation. Instead, consumer debt, backed by the collateral of increased asset values, taking the form of for instance pension savings and the increasing values of properties, provided the impetus for consumption growth. This was central to Clinton's welfare policy, which sought to extend private loans and home ownership to broader segments of the population through the sub-prime market. The privatisation of the New Deal housing policy institutions Fannie Mae and Freddie Mac, making them dominant interlocutors between the mortgage market and securities market were cornerstones in that policy. Debt has, indeed, become central to the US welfare model. As Montgomerie (2011) demonstrates, private lending has now become a replacement for the welfare state for many young and elderly Americans.

The Third Way of European social democracy was based on the premise that it was possible to copy the American model (Sapir et. al., 2003). However, since the essence of its dynamism was not based, as thought, on a liberal supply-side principle of market flexibility, but rather on a mercantilist principle of debt-financed demand expansion, this was not the case. In contrast, with the EMU and the Lisbon Agenda European social democracy locked itself into a self-limiting institutional architecture (Cafruny and Ryner, 2007). Contrary to the stance of the US Treasury and the Federal Reserve, the European Central Bank and EU national governments, have pursued highly restrictive macroeconomic policies. This is in part a question of deliberate action. However, it is also the consequence of the, compared to the US, structurally subordinated position in financial markets from which the EMU was forged (Konings, 2008; Stockhammer, 2008; Stockhammer, et. al., 2009). The Euro suffers from an 'anti-growth bias', European bond markets are fragmented, and there is no European equivalent to the US Treasury Bill. Fragmentation and lack of depth of these and other capital markets in the Eurozone means that the cost of doing business in Euros remains high compared to the US. Further, the 'persistent inertia' in monetary behaviour, which in many respects is another way of pointing to the dominance of US denominated actors in financial sectors, means that the Euro

is unlikely to enjoy the seigniorage privileges in world financial markets similar to those that the US enjoys, and if the euro were to challenge the dollar it would seriously undermine one of the central pillars behind American success (see Cohen, 2003; Cohen and Subacchi, 2008).

A key effect has consequently been economic stagnation in Europe. One indicator of this is GDP-growth in the Eurozone (Figure 3). Contrary to the promises that have been made since the Single Market Programme was launched in 1985, real rates of GDP-growth have continuously stagnated over the years. This hardly constitutes a sound material foundation for a political ideology, such as the social democratic one, whose acceptance of capitalism is based on it being a system that generates growth, which then can be redistributed.

[Figure 3 here]

At the same time, and not chiming particularly well with the postindustrialist contention of a universal tendency of stagnation (see Ryner, 2009), it is important to underline that European growth has been uneven (Stockhammer et. al., 2009). This is essential if one is to understand dynamics in the Nordic region. At different times this or that European national economy has successfully pursued export-oriented growth. ‘Modell Deutschland’ was (see for example Markovits 1985), emblematic in this regard and is once again in a conjuncture when growth is buoyant. In the early 1990s, much was made of the ‘Dutch Miracle’ (e.g. Visser and Hemerijck, 1997). The housing-boom based growth in southern Europe in the early 2000s, driven by investors seeking high returns when the Euro had eliminated exchange rate risks is a somewhat different case in point (The Economist, 2009).

Sweden and Finland are among the small export-oriented economies that have experienced such upturns, not the least in the 1980s, late 1990s and the early 2000s. This renders implausible the idea that long-term structural lack of competitiveness of Nordic corporatism in the global economy is the cause of the crisis, especially when the decline of, for instance working class turnout, correlate not with economic crisis-points but follow contingent policy choices that weaken social democratic institutions (Hedberg, 2009; Ryner, 1999). Crucial

in this context is the amplitude of up- and downturns that have been much more pronounced within national economies in the last three decades than they used to be in the Bretton Woods era, especially because of the increased incidence of speculative bubbles followed by financial crises (Reinhart and Rogoff, 2008). Finnish and Swedish real annual growth rates have oscillated between the extremes of -8 and +6.2 percent and -5.3 and +5.5 percent respectively in the last two decades (European Commission, 2011: Annex, Table 10), including apart from the last financial collapse, the banking crisis of the early 1990s that also was precipitated by financial bubbles (Kosonen, 1998: pp. 203-08; Martin, 1999). Higher rates of unemployment also ‘when times are good’, or ‘jobless growth’ are also a significant feature of current conditions (Figure 4).

[Figure 4 here]

The uneven nature of growth within an overall trend of stagnation and high unemployment is corrosive of the kind of solidarity that was central to the Nordic “tripolar class model” (Alestalo and Kuhnle, 1987), the universal welfare state and the hegemony of centre-left political forces. This can be clarified with reference to the so-called Scandinavian wage model of implicit incomes policy, which articulated economic and welfare policy. Not only stagnation and high unemployment, but also excessively pro-cyclical growth is corrosive in this regard (e.g. Hedborg and Meidner, 1984). Low growth and high unemployment undermines the financial foundations of a universal welfare state with high levels of services and replacement rates. It also causes permanent exclusion of the long term unemployed. However, it is not only the failure to support economically weaker groups in hard times that is corrosive of such solidarity. Highly procyclical growth, captured through the ‘wage-drift’ problematic in the Swedish Rehn-Meidner model (Hedborg and Meidner, 1984) also creates opportunities and incentives for some groups in strong upturns to find individual solutions to their welfare problems. Indeed, who needs the welfare state when companies are willing to offer wages and fringe benefits higher than what corporatist unions negotiate, and when it is possible to engage in private pension savings and to take out individual insurance? As Offe (1987) suggests such institutional dynamics lend

themselves to divisions between those who ‘can take care of themselves’, who no longer commit themselves to common solutions financed through general taxation and ‘the poor’ who may be construed either as ‘deserving’ or ‘non-deserving’. This goes against the core values and aims of the universal welfare state that had been central to social democratic ‘post-industrial success’ and their appeal to white-collar groups, and creates potential challenges for social and political trust, both interpersonal and institutional (Rothstein, 1999; 2005).

As we will argue in the next section, these have created political opportunities including in the form of rhetorical spaces that Nordic conservative and populist radical right parties have been able to exploit albeit in different ways. The long-term failure of the Third Way renewal of social democracy rests in the very foundations of the project itself. A shift was taken too far towards the political centre – and possibly economic right – into unknown territory. The project provided a formula of mass appeal in the short-run. But one of the key problems lay in the ways in which the Third Wayists tended to emphasise economics over politics – and policies over the very values that underpin them. As a result, the financialised and politically diluted social democracy decomposed as it was unable to fight a centre-field battle without eventually becoming, on one hand, too ineffective and unambitious for right-leaning conservatives and, on the other, untrue and watered-down in the eyes of its more traditional electoral base.

This dynamic also seems to have been corrosive of fragile developments towards a European solidarity. Nationally based export oriented strategies have generated a dynamic of competitive austerity, where balance of payment surpluses have been based on containing domestic demand, hence cutting market outlets for the surplus production of others (Stockhammer et. al. 2009; Bellofiore et. al., 2010). This hardly constituted the basis of a coherent social democratic vision for Europe, and such a vision has also increasingly given way to national parochialisms, underpinned by mass-parties under pressure from populists (Cafruny and Ryner, 2007: pp. 73-104).

The current highly oversimplified and misleading representation of the problems of the so-called PIIGS (Portugal, Ireland, Italy, Greece and Spain) to an issue of irresponsible spending by southerners who have cooked the books is another expression of this absence of

solidarity and a coherent European vision, which by all accounts was central to the success of the True Finns (Perussuomalaiset) in the April 2011 election in Finland. Characteristic of this increasingly popular attitude, Timo Soini, the leader of the True Finns, commented in July 2011 that giving the second bailout package to Greece would resemble “giving more alcohol to a drunk” (Ilta-Sanomat 12.7.2011).

The shifting Nordic landscape

Third Way decomposition is in part manifesting itself in lower working class turnout at elections. In the 1970s, working class turnout was just under 90 percent in Sweden and remained around 85 percent through the 1980s and early 1990s. However, it dropped sharply to about 75 percent after the 1994 election (Hedberg, 2009: Figure 3). The trend is similar in Finland. While total turnout has decreased, manual worker turnout has decreased disproportionately. In 1987 the total turnout was 80 percent, dropping to 73 percent in the 1999, whilst working class turnout declined from 72 percent in 1987 to 63 percent in 1999 (Martikainen, Martikainen and Wass 2005: 648). Linked to broader socioeconomic divisions, education is another important factor behind turnout differentials. The turnout of citizens with only comprehensive school education went down from 79 percent in 1975 to 63 percent in 2003. The decrease was similar for voters with lower vocational degrees, whereas the turnout of voters with higher education degrees stayed more or less constant around 85 percent (Ministry of Justice 2009).

However, Third Way decomposition has also provided rhetorical spaces for conservatives to build a successful renewal project of their own. As is the case elsewhere in Europe conservatives have consciously expanded their political appeal and have arguably beaten the Third Way social democrats at their own rhetorical game. As Göran Persson himself acknowledges (2007: 387), Third Way rhetoric, such as the slogan ‘activation before benefits’ (‘verksamhet före bidrag’), deployed by Social Democrats under fiscal consolidation in the 1990s and a juxtaposition that would have been unthinkable during the golden age of the

'Swedish Model', was appropriated by the Conservatives to great effect under Reinfeldt. The Alliance used it to great effect to propose lower payroll taxes to increase take-home pay, financed by tightening of eligibility rules and social insurance benefits. The Nordic conservatives have adopted terminology that flirts with old social democratic themes such as social justice and solidarity. Rather like David Cameron's Conservatives in the UK, the Swedish New Moderates (Nya moderaterna) are using softer values to appeal to the electorate. Their first election victory in 2006 was prepared with a strongly pro-welfare state rhetoric (Agius 2007). The party also moved closer into what could be considered as the rhetorical space of the social democrats. The slogans adopted by the party claimed that it was not only Sweden's "new workers' party" (Sveriges nya arbetarparti) but also its "only workers' party" (Sveriges enda arbetarparti).

Similarly, Sauli Niinistö, the conservative candidate in the 2006 presidential elections was described in his election posters as the "workers' president" ('Työväen Presidentti'). Niinistö lost the election in 2006 but won in 2012 with similar themes. One of his main election slogans in the 2012 presidential election was "working for Finland" ("Suomella töissä"). This clearly is evidence of the National Coalition Party attempting to redefine the very meaning of the term "worker". In the transformation from industrialism to post-industrialism and the information society, the working class have actually become middle class and it is through this rationale that the Conservatives are now trying to reclaim the centre ground back from the social democrats. They also clearly re-calibrated their approach towards capitalism and adopted "responsible market capitalism" as one of their election themes in the 2007 parliamentary election. Responsibility in this context meant both the state taking responsibility in controlling capitalism but also that citizens need to take responsibility for their own lives (Kansallinen Kokoomus 2007).

Responsible market capitalism is about good quality healthcare but it is also about wanting to look after one's own health. Responsible market capitalism is about child health centres, nurseries and care homes. But it is also about wanting to take responsibility of one's own life and the willingness to take responsibility for others. Responsible market capitalism appreciates and rewards hard work and entrepreneurialism (Kansallinen Kokoomus 2007, p. 4, our translation).

While this rhetorical reinvention of the bourgeois parties was going on, the centre-left failed to provide a counter-force to it. As Wennemo argues (2010), one of the reasons behind

the second Alliance victory in the 2010 Swedish elections was the lack of renewal of the SAP and its inability to offer alternatives to the centre-right alliance. The reason for the election defeats in 2006 and especially in 2010 are rooted deep in the Third Way inflection of the social democratic welfare state that pre-empted the alternatives offered by the centre-right. The Conservatives find it now easier to connect to the centre vote as their core vote because of opportunities left vacant by the decomposition of the social liberal ideology of Third Way social democracy. Consequently, this has made it impossible for the left to offer counter-alternatives to the policies advocated by the Alliance – they were already advocated through rhetoric and discourse that had largely been introduced and popularised by the social democrats. In addition, the social democrats were not seen to be as credible an alternative for economic growth and employment in the 2010 election. The crisis of political ideas and lack of alternative discourses is also linked to a very concrete leadership crisis of which the rather scandalous resignation of Håkan Juholt in early 2012 is symptomatic.

At the same time, the rise of populist radical right parties has also begun to squeeze the Social Democratic and Centre parties further. Following a broader European and Nordic trend, the electorate is shifting from all directions to the populist radical right parties. Indeed, especially in the case of the True Finns, the Norwegian Progress Party and the Danish People's Party, their share of the vote is so high that it would not be possible without a significant voter migration. But recent research suggests that a significant proportion of the new supporters of the True Finns were previous Centre Party and Social Democrat voters in particular (YLE Uutiset 2009; Suhonen 2011). The Left Alliance and the True Finns are now Finland's two real workers' parties in the sense that they have a larger proportion of blue-collar voters among their total electorate than any other parties, including the SDP (Rahkonen 2010: 550). Similarly in Sweden, according to research published by the Swedish national broadcaster SVT, the populist radical right party, the Sweden Democrats (SD) received votes from all political directions but especially from Social Democrats and the Conservatives (SVT 2010a). Among their gains were especially young, male, unemployed trade union members (SVT 2010b). This would certainly suggest that the rise of the populist and far right movements might, indeed, have a direct link to

the crisis of the Nordic Social Democrats and represent one of the opportunities left behind by the Third Way.

Central to these developments in the Nordic countries is dissatisfaction with welfare provision by increasingly marginalized core supporters, who think that diminishing public means are, in any case, spent too much on 'the undeserving'. The populist and radical right parties voice this dissatisfaction in their political discourse. The True Finns, for example, in their election manifesto 2011 made statements about the cost of humanitarian and non-work related immigration: "[W]e consider that Finland has to be open to the kind of migration that has either neutral or positive impact. This means that an immigrant who is adapts and is able to sustain him/herself is welcome" (Perussuomalaiset 2011: 40). Later on they state clearly that immigration that is not work-based will become expensive to the country (Perussuomalaiset 2011: 41). The Sweden Democrats, on the other hand, take a much harder line in saying that: "In our Sweden we help people in need but Swedish welfare and the wellbeing of the country comes first" (Sverigedemokraterna 2010: 3). In other words, welfare as a social right is available to the 'deserving' native populations while the 'undeserving' migrants need to earn it. Here, the economic argument about financing the welfare state blends into a more cultural and identity based argument.

It is perhaps ironic that this move towards justifying increasing conditional social citizenship and encouraging the deserving-undeserving dichotomy has been largely encouraged and introduced by Third Way social democrats and, as we pointed out above, also adopted by Nordic Conservative parties. However, the populists and radical right have contributed to this by managing to recast the deserving/underserving dichotomy in a new way that caters to disillusioned social democratic and centrist core-voters. Rather than concentrating on benefit fraud, lack of incentives and dependency culture more broadly, the conditionality is linked to national belonging. This is also a way to reassert a particular sort of traditional Social Democratic/Centrist unconditionality through nationalist or nativist discourse. As such, the universal welfare state has also suffered from the securitisation of citizenship discourse (Muller 2004; Nyers 2009), which has introduced more and more conditionalities in order to determine

who has access to welfare benefits and services and given a momentum for the populist radical right. As Rydgren (2010) observes, one of the key strategies of the populists has been to take control of the socio-cultural discourse that was seemingly abandoned by the traditional parties that were lured into concentrating on global finance instead. To an extent this harks back to old-style social democracy and also a specific pro-welfarist discourse that Jenny Andersson (2009a; 2009b) has rather aptly labelled “peoples’ home nostalgia”. During the 1990s years of Third Way renewal the old social democratic middle became increasingly vulnerable as society, with the support of centre-left governments, was exposed to global finance and transnational business. The combination of new economic values, such as privatisation, asset-based welfare, increasing conditionality associated with social citizenship, and generally decreasing level of government responsibility, can be to a large degree linked to rising cultural insecurity.

Therefore, the rise of the populist radical right parties in the Nordic countries has exposed a specific Nordic dilemma, which has a particularly strong effect on the social democrats and, to a certain extent, the centre parties as their main rivals and coalition partners. There has always been, as the Swedish historian Lars Trägårdh (2002) has noted, a conspicuous tension within the Nordic welfare state between the values of equality and solidarity on one hand and a tendency towards nationalism and a slightly unhealthy sense of pride on the other. Nordic internationalism rested quite comfortably somewhere in between. In other words, the Nordic model had created a just and fair society that was essentially affluent and, according to its own principles, willing to spread its wealth and the good message of social democracy to the less fortunate parts of the world (Kuisma 2007). However, this tension became increasingly pronounced as governments began to flirt more and more with neo-liberal globalisation and finance-led capitalism in the 1990s.

As such, it could be argued that while the welfare state produced a shared identity for citizens during the post-war decades and possibly even before then, this tumultuous process of change has created a vacuum. As a result, in searching for belonging and sense of direction the contemporary world, people were tempted to move towards the choices offered by the populists, often marked by a strong sense of ‘people’s home nostalgia’ (Andersson 2009a,

2009b). Rahkonen (2010) discusses this phenomenon with regard to Finland by linking the particular Finnish nostalgia to ‘Satumaa’ (Land of Dreams), the unofficial national anthem of Finland, a tango by Unto Mononen. In the lyrics a strong sense of dreaming of a nearly utopian land is mixed with a hidden realisation that Finland actually is that land of dreams – or at least it used to be. In addition to this Satumaa-tango mentality, the True Finns have managed to hit the right nerve by talking about traditional values and launching a kind of a common sense revolution.

It can be argued that not as a direct outcome but significantly linked to these developments immigration further heightens these cultural and political tensions and is certainly an area exploited by many of the Nordic populist parties. There is a strong sense of familiarity between the current debates on immigration and questions of legitimate membership and the cultural debates of the 19th century, which were particularly strong in Finland and Norway. These were deep and sometimes painful questions of where the borders of the nations as imagined communities (Anderson 1990) are drawn. However, parallel to this more cultural debate, the Nordic populist politics tends to also link the challenge of immigration to the welfare state.

The primacy of politics and political ideas

In this article we have argued that the Third Way, supposedly a renewal project of European social democracy, turned out to be a cul-de-sac, which has contributed to the undermining of the universalist norms that underpinned the tripolar class compromise of the Nordic models, including its extension to the white-collar strata. It is not surprising, therefore, that within these arrangements it is the hegemonic parties that have been the main party political casualties. It has created opportunities that have been successfully taken by conservative and populist radical right parties. Thus, it might be tempting to draw the conclusion that the Third Way and the 1990s modernisation push was a final attempt to save social democracy but, as that

proved to be a failure, the Nordic model of social democracy is finally ready for its grave. Ironically though, if this, indeed, was the case, the Nordic social democrats might have been responsible for their own demise – or at least hiring their own silent assassin.

Yet, if we are correct in attributing this development to political rather than ‘objective’ economic and sociological determinants, then the picture is not necessarily quite as bleak as that. The trends may not be final and irreversible and it seems quite feasible that the core values of the Nordic Model are still alive. There may well also be a future for social democratic and centrist politics at least if attention is paid to pursuing policies that retain the institutions of welfare state universalism, which in turn seems to be what the electorate really wants.

Recent evidence demonstrates that there exists a widespread acceptance of not only the values of welfare but also the broad structures and policies that maintain the welfare state. According to the Citizen Barometer (Kansalaisbarometri) published in 2009, around 75 percent of Finns would be happy to pay more taxes if that meant better and more widely available welfare services (Siltaniemi et al. 2009). In other opinion and value research it has been regularly shown that the Nordic citizens value their welfare state highly and share the values that underpin its structures (Timonen, 2004; Nilsson, 2007). For instance, in Sweden in 2006, 42 percent of the population were against reducing the size of the public sector (Nilsson, 2007: 121). Furthermore, the way in which Conservatives have so readily adopted social democratic political rhetoric is perhaps a sign that they have come to terms with the deeply embedded nature of these values and used them as a strategic tool for electoral gains – or, potentially, that they also share and appreciate them.

It is clear that Nordic social democracy and Centre Parties face serious challenges, not least because of the reasons outlined above. But since some of the wounds are self-inflicted there may be a way out of the cul-de-sac. One potential solution lies in good old partisan politics. Too much emphasis has been placed on economics over politics and policy over ideas and the values that underpin them. Sheri Berman’s work on the primacy of politics serves as a useful reminder to current day social democrats about the importance of “people power” in the

history of the movement (2006). In fact, the recent successes of the populist parties all over Europe might act as an encouraging sign of the continuing relevance of politics to the citizenry.

The management of the financial crisis, and the questions that it raises about European dependence on global financial markets that have proven to be incompatible with both the Nordic and the European social model, as well as the mechanisms that would be required to generate macroeconomic growth and fairer distributive between groups and regions in the EU, cries out for such a discussion on the very foundations of the political institutions and the values that underpin them. After all, was it not supposed to be the case that the European Union would be the site where the capacities to intervene politically for a fairer society, lost through globalisation, would be recovered?

One thing is for sure, economic growth and distributive transfer mechanisms make more plausible the return of the tripolar class formula upon which Nordic Social Democratic and Centrist hegemony was based. From that point of view, the contribution of Nordic social democracy to debates about the EU has been truly underwhelming, narrowly parochial, and well below the benchmarks that one would set for its internationalist aspirations. Frankly, contributing with a watered down version of active labour market policy, and dogmatic support to the growth-inhibiting amendments to the Stability Pact is not good enough. Branting's 'big tent approach' requires something much more visionary in the 21st century.

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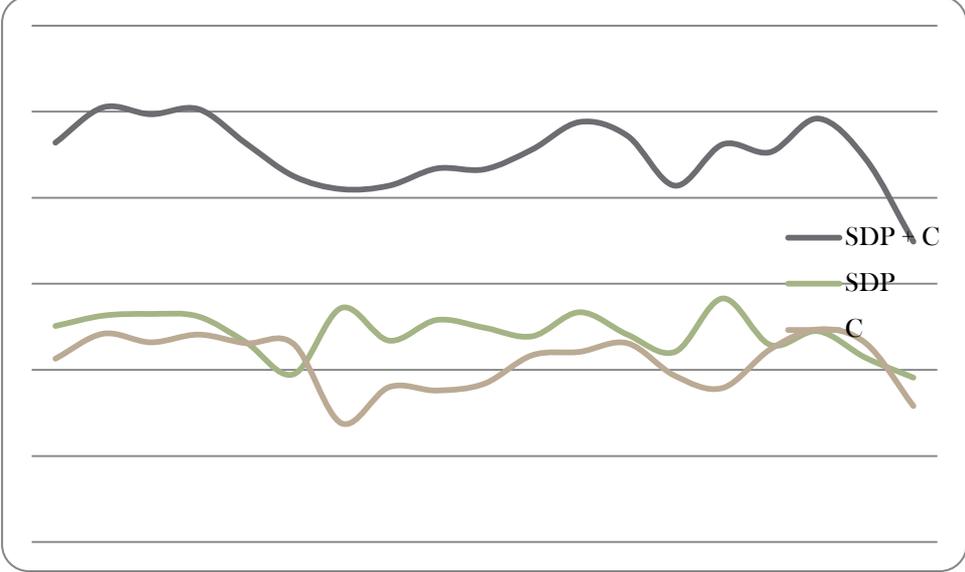
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Figures and Tables

Figure 1

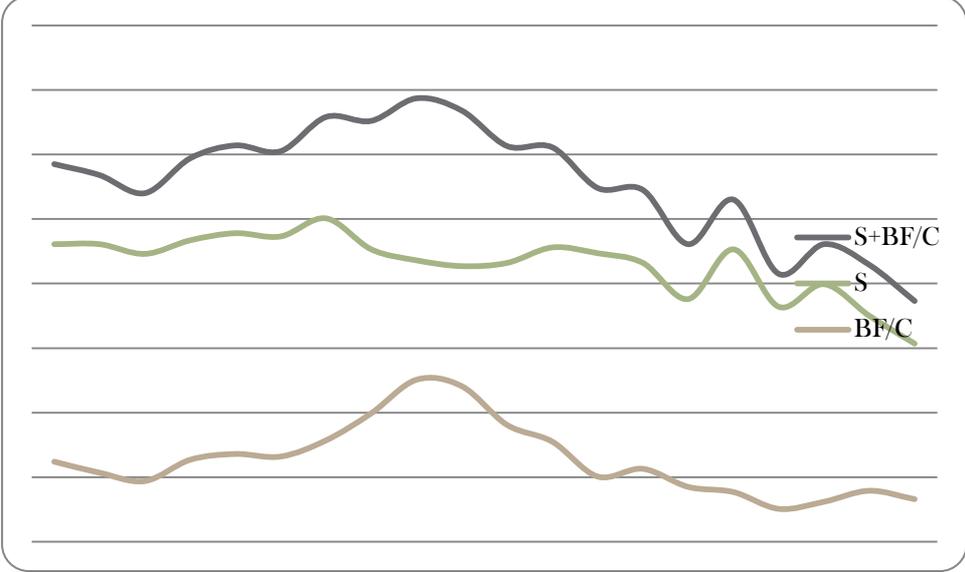
Share of the Vote of the Finnish Social Democratic and Centre Parties in Parliamentary Elections



Source: Statistics Finland www.stat.fi/til/evaa_2003_2004-05-31_tau_011_sv.html and www.stat.fi/til/evaa/index_sv.html (accessed 29 November 2011)

Figure 2

Share of the Vote of the Swedish Social Democratic and Centre Parties in Parliamentary Elections



Sources: Statistics Sweden and the Swedish Electoral Authority www.scb.se/Pages/TableAndChart_32065.aspx and www.val.se/tidigare_val/ (accessed 29 November 2011)

Figure 3

Average Annual GDP Growth at 2000 Market Prices (Percent)

Year	Euro-Area (original 12)	Finland	Sweden
1961-1970	5.3	4.8	4.6
1971-1980	3.4	3.9	2.0
1981-1990	2.4	3.1	2.2
1991-2000	2.2	2.1	2.1
2001-2010	1.1	1.8	2.0

Source: European Commission (2011: Statistical Annex, Table 10)

Figure 4

Average Annual Rate of Unemployment (Member State Definition)

Year	Euro-Area (original 12)	Finland	Sweden
1960-1970	2.3	2.2	1.7
1971-1980	4.1	4.0	2.1
1981-1990	8.5	4.6	2.6
1991-2000	9.6	12.5	7.6
2001-2010	8.6	8.2	7.1