

Social Democracy in Crisis? What Crisis?

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Has the Social Democratic Model of Society Stopped Working?

This paper addresses the following question: Can the weakening of the Social Democratic political project in Europe be explained by the fact the Social Democratic model of society no longer performs? In other words, can the recent electoral crisis in Social Democratic parties be seen as a rational response from an electorate saying good-bye to a socio-economic *model*? If one wants to compare Social Democratic policies with some kind of utopian political programme, you will certainly be disappointed. As pointed out in the introductory chapter to this volume, Social Democracy was never a utopian political project and its earlier success can therefore not be seen as a result of fulfilling a nirvana type of society. In contrast to the utopian models historically launched by communists and anarchists, Social Democracy has traditionally been firmly anchored in a concrete, down to earth pragmatism based on a realist vision that politics must be based on what is “possible”.

Our argument is that the most reasonable way of judging the performance of the Social Democratic “model for society” is to compare it with other existing macro-models. The most relevant in a European perspective is the centrist Christian Democratic model and the political right’s neo-liberal model. The questions are of course these: what should count as success for such macro-models and which countries should be seen as the best representatives of the Social Democratic model of society? We will start with the latter question.

What is the Social Democratic model of society?

In order to discuss the current situation of Social Democracy, it is of course important to define the subject itself. The label “Social Democratic” is sometimes used to identify a large assortment of polities and left political parties. In our view, this is a misuse of the label which leads to some rather fundamental misunderstandings about Social Democratic systems in practice. We instead use the term *Social Democracy* to depict a certain type of social (and economic) model, which finds its roots in the ideology of social democracy. Quite simply, Social Democracy is a political economy built on the ideas of universal social solidarity, modernity and the belief that society can be changed by “enlightened politics.”

The Social Democratic model of society, as we define it, contains three main commitments.¹ The first aims to provide *all* people in society, regardless of their background, with a set of general social rights to certain kinds of service and economic support.² Such programmes are not targeted on specific vulnerable groups or distinct minorities in society but cater to “all” or very large segments of the population (Rothstein & Uslaner 2005). The classical “universal programmes” such as health care, universal child allowances, free public education, elderly care, and very broadly based tax systems, are examples of this approach. It is important to understand that these universalistic policies are very different from both the targeted tax and social policies more typically found in the United Kingdom and the United States, and are also quite different from the wage based social insurance systems typically found in many European welfare states. These universalist policies are based on the idea that everyone should pay and everyone should benefit as equally as possible, rather than the ideas that the state should compensate losers and punish winners. Though these principles developed along different intellectual paths it is interesting to note the extent to which these Social Democratic ideas align with leading liberal mainstream political philosophers. For example, Nobel laureate Amartya Sen’s idea that social justice demands providing all citizens with “basic capabilities” as well as John Rawls’ similar argument for equal access to a set of “primary goods” can be seen as arguments for the type of universal social policies that have become the hallmark of Social Democracy (Rothstein 1998).

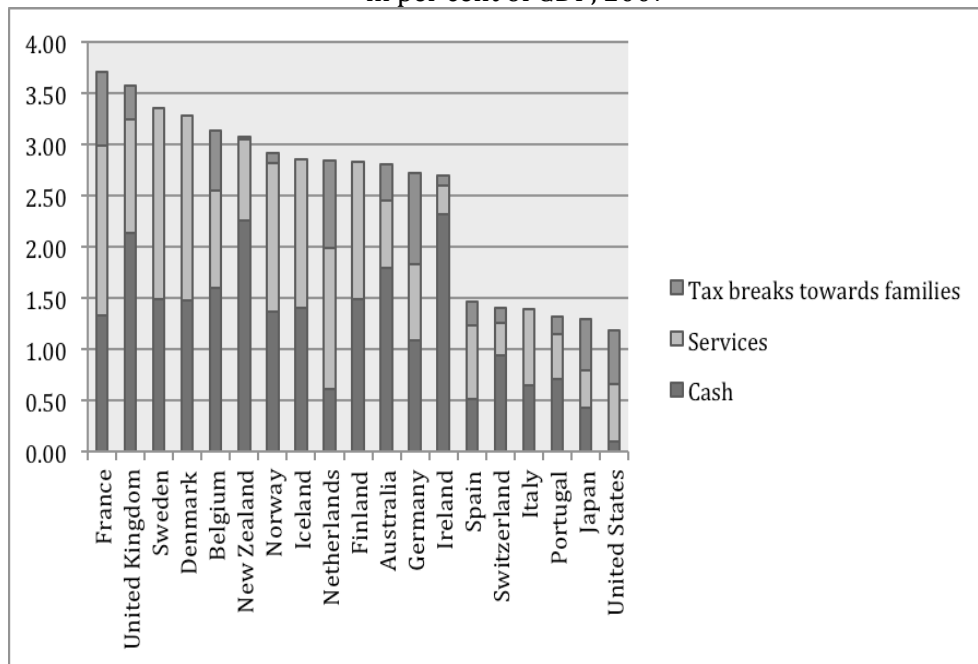
The second commitment in Social Democratic politics can be described as an ambition to tame, but not replace nor control, the market economy. To the surprise of many who do not know these systems, Social Democratic polities are remarkably pro-market. These systems,

¹ We note the very similar definition offered in (McCrone and Keating 2007).

² For some of the very best analyses of this idea see Sheri Berman *The primacy of politics: social democracy and the making of Europe's twentieth century*. Cambridge: Cambridge University Press (2006)

however, combine a positive attitude toward free-trade, free labour markets and economic competition, with a realization that a well running market economy demands a wide range of public regulations to function properly. Social Democracy's goals are thus obviously different from those of state-socialism (or communism). But more interestingly, Social Democratic policies are also quite distinct from populist/leftist policies regularly witnessed across the twentieth century which are motivated by a desire to redistribute income and wealth directly from one class to another. From its beginning, typical Social Democratic regulations were directed mostly towards the labour market (the eight-hour working day, pensions, unemployment insurance, work safety, child labour laws, union rights) and were later expanded to many other areas such as environmental protection, gender equality and regulation of financial markets. In contrast to neo-liberalism, Social Democracy does not believe that markets have the capacity to serve "the common good" if left unregulated. In contrast to populism, Social Democracy does not aim to directly redistribute from the rich to the poor. While it would be incorrect to say that Social Democracies have no targeted social welfare policies directly focusing public spending on the poorest and most vulnerable in society, to surprise of many, classical Social Democratic countries spend relatively *less* on targeted poor relief and direct cash transfers to the poor than do many other advanced welfare states. The following figure gives an example of this. Here we see public social spending on "families" in several OECD nations. Notice that the classical Social Democratic systems are among the largest spenders here, but not the highest. More significantly, however, note that the levels of direct cash transfers to families is *lower* in Sweden, Denmark, Norway, for example, even though these countries give a universal cash payment to all families with children. Where they are 'big spenders,' on the other hand is in terms of services (for child care, early primary education, etc.).

Figure 1
Public spending on family benefits in cash, services and tax measures,
in per cent of GDP, 2007



Source: OECD, iLibrary, http://www.oecd-ilibrary.org/social-issues-migration-health/social-issues-key-tables-from-oecd_20743904, downloaded, May 5, 2012

It is important, above all, to understand that Social Democracy is not a populist movement. Social Democratic parties have built large universalistic social welfare systems often by taxing their own voters heavily. They have not attempted to finance their social welfare systems through confiscatory taxation or government appropriation of individual or corporate wealth (Steinmo 1993).

The key logic underlying delivering social programmes and services ‘universally’ is not simply that this will insure their political/electoral success.³ Instead, as Sheri Berman points out, ‘Social Democrats translated communitarianism, meanwhile, into an emphasis on social solidarity and policies designed to strengthen social unity and solidarity’ (Berman 2006:206). The eventual consequence of this logic was the financing of social programmes that benefited even society’s most well-off individuals. Social solidarity eventually came to mean solidarity among all the people, not just the working class..

Finally, Social Democratic polities have made a commitment to socially progressive policies. By this we mean that these systems do not attempt to hold their societies stable or in some idealized equilibrium. To the contrary, Social Democratic polities have intentionally and explicitly pushed their societies forward. Whether it is in the arena of women’s rights, labour

³ As was the case for FDR’s Social Security Program, (Derthick 1979).

rights, or even children's rights, Social Democratic states can be distinguished from other democracies and welfare states by the fact that the state has been an explicit agent of social change. In many different arenas, these states have specifically attempted to improve the life choices for individual citizens independently of family background, gender or ethnicity. Social Democrats have instead attempted to enhance the *individual's* life choices. It is curious to many that Social Democratic states have, in this sense, been some of the most *liberal* states in the modern world.⁴

Having a big Welfare State does *not* a Social Democracy make

We argue that it is the *structure* of the welfare state that distinguishes Social Democratic systems, not the level of public spending. Many large welfare states are not Social Democracies. In fact, by the early 21st century, it is probably more accurate to call several of Europe's large welfare states "pension states." It is well known that the Social Democratic welfare states in northern Europe have comparatively high taxes and high levels of public spending. It has often been incorrectly assumed, however, that the high levels of economic and social equality that these countries have achieved have been the result of highly redistributive tax systems and heavy social spending on the poorest in society. On the contrary, the Social Democratic Policy Model has developed in quite another direction with relatively flat tax structures and largely universal social spending programmes (Steinmo 1993). The paucity of targeted programmes specifically designed to help to lift the poor above the poverty line, or to provide them with special subsidies for food, transportation etc., is really quite remarkable – especially when contrasted to countries like the United States or the United Kingdom (Steinmo 2010).

Social Democracy in Practice

Where do we actually find Social Democracy in practice? Clearly, Social Democracy has been on the agenda in many periods in Europe, and most democratic countries have had political parties who have called themselves Social Democratic, or at least fought for Social Democratic ideals. But if we ask which countries have consistently implemented and sustained Social Democratic *policies*, we find that arguably only the four Scandinavian countries, Sweden, Denmark, Finland and Norway are today what one might call

⁴ We would like to thank Stefan Svallfors for this observation.

thoroughgoing “Social Democracies.”⁵ By this statement we do not mean to suggest that Social Democratic ideas are unique to the Scandinavian countries. Nor do we mean to argue that the Left in these Scandinavian countries has always consistently pursued a Social Democratic agenda. Our point is instead that it does appear that only a very small number of relatively unique polities have created Social Democratic welfare states. While there have been elements of Social Democratic ideology within the left in many other welfare states – including the United States during the New Deal – in only a few countries did these principles become foundational to the system itself.

We argue, then, that we can look at these four countries as having built distinctive sets of policies and that they can be understood as a distinctive *Social Model*. If we examine these four countries as a distinctive set from the other advanced democratic polities a remarkable pattern begins to emerge. As the collection of figures below indicates, these countries have high levels of taxation; high levels of social spending - within which a high percent of spending goes towards families and young people rather than simply towards pensioners and the old; low levels of public debt and relatively small budget deficits; high spending on education and public health; high levels of social equality; high levels of gender equality; high levels of private investment; highly educated citizenries; higher degree of interpersonal trust; low levels of corruption, high levels of population health and even high levels of self-reported ‘happiness’ within society.

Certainly one could argue that if our point is that only a small number of countries actually embraced Social Democracy, then the very question of the “Crisis of Social Democracy” irrelevant to the rest of the advanced capitalist world. We think not. First, as we show here, *Social Democracy* is not failing. In fact, Social Democratic systems are thriving in the era of intense global competition. It is not Social Democracy that is failing. Instead it is the populist policies offered up the Left which appear to be failing.

⁵ Of course this raises the interesting question about whether there is something about being Scandinavian that makes these countries Social Democratic and thus Social Democratic policies are the products of some deeper historical or cultural facts. Without going into depth on this issue, let us say here that we are skeptical of this line of reasoning due to the fact that many of the key historical facts of these nation’s histories have in fact diverged very dramatically. For example, while Sweden and Denmark were once powerful imperial regimes Norway and Finland were colonies. Similarly, the structure of social relations, land tenure, and the very nature of feudalism differed dramatically in these countries. Finally, their wartime experiences in the 20th century were also nearly polar opposites with Denmark and Norway defeated and occupied by the Nazis, Finland siding with the Germans in order to fight their long historic battle against Russia and, finally, Sweden remaining neutral in both wars.

It is certainly the case that there was a great deal of *policy learning* and sharing between these countries in the second half of the 20th century. But the focus here, then, should be on the *policies* and not some vague cultural or historical narratives. It is the policies that have made these four countries Social Democratic, not some kind of primordial cultural attributes that have made them so.

In the following figures we demonstrate through a wide variety of measures that the four Social Democratic countries form distinctive patterns in policies and outcomes. It is certainly possible to say that one country or another helps explain any particular outcome, for example, that Norway's recent oil wealth weights the scales in terms of budget outcomes. But taking Norway out does not change the general pattern.⁶ In sum, we think it is virtually impossible to look at this collection of data and not see a pattern – a pattern that by most accounts must be considered a description of a group of unusually successful societies. But for our purposes here, this pattern also fits with the kinds of Social Democratic ideals and policies we identify above.

[Insert figures 1 – 5 here]

There can be little doubt that when evaluating a political model, it is meaningful to compare countries that have been influenced by this model to varying degrees. In the figures above, we use a number of standard measures of human wellbeing such as the health of the population (child mortality, life expectancy), individuals' satisfaction with life, different measurements of 'human progress,' economic equality, absence of corruption, and economic standards. In these measurements, countries that have been most influenced by what we have defined as the Social Democratic model, fare particularly well and, put together, clearly outperform the countries characterized by neo-liberal or conservative politics. Additionally, when international business organizations, such as the World Economic Forum (WEF), conduct their annual rankings of countries' economic competitiveness, the Social Democratic countries also here are placed at the top, as high, and often higher than, the 'neo-liberal' countries (Schwab 2011).

Insert Figures 6-9 here

⁶ Moreover, having large natural resources is arguably a recipe for all kinds of economic and social disasters that in development literature is known as the "resource curse".

The picture from available measures of policy performance that emerges is, for once, unequivocal – namely, that if one were to use the title of the recent book, *Successful Societies* by Peter Hall and Michelle Lamonte (2009), countries with Social Democratic politics end up on top, regarding measurements not only of economic and social equality but also of social development in general as well as on human well-being, and population health. It also comes as a surprise to many that these high tax and high public spending countries outperform other countries in economic efficiency.

The Social Democratic Universal Welfare State: Four Common Misunderstandings

There are many misunderstandings, even by sympathetic commentators, about the logic of the Social Democratic welfare states. The most common is that the Social Democratic welfare state is portrayed as a very costly undertaking that by its high level of taxation becomes a hindrance to economic growth. This reveals a misconception regarding what this welfare state is about. Its main feature is not the benefits to poor people, but universal social insurances and social services (like health care, pensions, support to families with children and public education) that benefit the whole, or very large, segments of the population. These goods are in high demand by almost all citizens and research shows that having these demands covered by universal systems in many cases becomes more cost-effective. In private health insurance systems, for example, the administrative costs for insurance companies alone (in screening out bad risks, the costs for handling legal problems about coverage) can become very high as seems to be the case in the United States⁷. Universal systems, on the other hand, tend to be more cost-effective for the simple reason that risks are spread over the whole population and the incentives for providers to overbill or use costly but unnecessary treatments are minimal. As the British economist Nicholas Barr has observed due to what economist call “asymmetric information costs” universalist policies, *“provide both a theoretical justification of and an explanation for a welfare state which is much more than a safety net. Such a welfare state is*

⁷ For a brilliant journalistic analysis of these problems, see Atul Gawande’s article “The Cost Conundrum“ in *The New Yorker*, July 1st 2009.

justified not simply by redistributive aims one may (or may not) have, but because it does things which markets for technical reasons would either do inefficiently, or would not do at all” (Barr 1992, 781, see also Barr 2004). Simply put, if middle-class people in the Nordic welfare states are deprived of their universal systems for social protection, social services (not to speak of free college education for the children), they would in all likelihood decide to buy these services on the market.

The second misunderstanding is that such welfare states by necessity come with heavy-handed bureaucratic intrusion and paternalism (“the nanny state”), and that it cannot be combined with freedom of choice for various services. This is, for the most part, wrong. An example is the publicly financed school systems in Denmark and Sweden that are full-fledged charter systems. Public schools compete with private charter schools that are run on public money and have to accept that they work under the same national regulations and education plans. For example, they have to accept students without any discrimination concerning their learning abilities (Björklund 2005). This can be compared with the intrusive inquiries and testing used by many private schools in the US in their admission procedures.

A third general misunderstanding about the universal welfare state system is the neo-liberal argument that high public expenditures are detrimental to market-based economic growth. As shown by the economic historian Peter Lindert (2004) and also in a recent book by Nobel Laureate Douglass North (together with John Wallis and Barry Weingast), this is simply not the case (North, Wallis and Weingast 2009). In a global perspective, rich states have a level of taxation that is almost twice as high compared to poor states. And when the rich western states are compared over time, the evidence that high public spending is negative for economic growth is absent. The reason, according to North et. al., is that large parts of public spending go to the provision of public goods that are necessary for economic growth but which markets cannot provide, partly on account of the information problems stated above. Interestingly, among those public goods, North and his colleagues include not only the usual things like infrastructure, research, and the rule of law but also education and social insurances and social services (North, Wallis and Weingast 2009).

A fourth common misunderstanding is the notion that targeting welfare benefits on the poor is the best way to achieve economic redistribution. Intuitively, one would assume that redistributive policies that tax the rich and give to the poor would be the most efficient way to reduce poverty, while universal policies that give everyone the same service or benefits would not have a redistributive effect. But the facts are the opposite. The technical reason as to why

universal systems are more efficient in reducing economic inequality is that taxes are usually proportional or progressive, but services or benefits are usually nominal; you get a certain sum or a certain type of service. The net effect of proportional taxes and nominal services/benefits results in comparatively high redistribution from the rich to the poor (Moene and Wallerstein 2001; Rothstein 1998, Åberg).

In the following table we offer an idealized version of how such a system can work. Here we have three classes of people, in which there is a hypothetical income distribution of 1 to 10. In other words, lowest income earners have a before tax and benefit income of 1 unit and the highest income earners have a before tax and benefit income of 10 units. Following the logic of a *purely* flat tax and a *purely* universal spending regime, we see that the initial income distribution goes from 1 to 10 to a final income distribution of 1 to 3.7.

Table 2

The Redistributive Effects of Flat Taxes and Universal Benefits

Pre-Tax Income	Tax Rate 30%	After Tax Income	Benefit per Individual	Final Income
10,000	3,000	7,000	16,000	23,000
50,000	15,000	35,000	16,000	51,000
100,000	30,000	70,000	16,000	86,000

* $3,000 + 15,000 + 30,000 = 48,000 / 3 = 16,000$
 Income Ratio before taxes and benefits 1 to 10 (10,000 to 100,000)
 Income Ratio after taxes and benefits 1 to 3.7 (23,000 to 86,000)

Source: Steinmo, 2010.

In point of fact, no tax system is perfectly flat and no social spending system is perfectly universal. But, as this model implies, a purely flat tax system if combined with universal benefits/services is likely to be more progressive in its effects than the targeted systems found in many real world countries. Again, the redistribution is achieved by taxes being paid as a percentage of the income while universal benefits are nominal. Thus, in a universal system where “everyone pays the same” and “everyone receives the same”, a huge amount of redistribution is taking place.

The political reasons as to why universal policies are more effective in terms of alleviating poverty are that if a state is going to tax the rich and give to the poor, the rich and semi-rich (that is the middle class) will not agree to pay high taxes because they perceive that they do not get enough back from the government (Korpi and Palme 1998). They will perceive social services and benefits programmes as policies only for “the poor”, and especially the middle class (who, note, are also the “swing voters”) will turn away from political parties that argue for an increase in taxes and social policies (Rothstein and Uslaner 2005). One might add that it is often assumed that the Social Democratic model is the result of highly progressive tax systems. This is incorrect since the Social Democratic model usually has a relatively flat tax structure but, as explained above, if these taxes are relatively high and are combined with largely universal social spending programmes, this creates massive redistribution (Steinmo, 2010).

Many have argued that the Social Democratic states are under threat from the economic forces of globalization (Lindbeck, Molander et al. 1994; Friedman 1999; Economist 2001; Edwards and Ruge 2002; Genschel 2004; Brooks 2005; Eaves 2006). The argument is that the high levels of taxation and social spending – and indeed economic equality itself – are simply not sustainable in the modern competitive world. Looking at the facts, however, it is difficult to sustain such a simplistic argument. What is at issue is *not* how much the government taxes and spends, but rather *how* it taxes the private economy and spends that money. Social democracies, as we have seen, have done distinctively well economically just as economic competition has heated up in recent years. Second, as Steinmo has shown elsewhere, there is no coherent or consistent correlation between tax or spending levels and economic performance across the OECD (Steinmo, 2010: 207-214). Third, as Werner Sinn and others have pointed, public spending is not necessarily bad for the economy because it not only pays for education and infrastructure, but also because much social spending can be considered insurance. Insurance lowers individual risk and in a dynamic environment lowering individual risk can contribute to innovation and productivity (Sinn 1994:1; Steinmo 2010:213-217). Finally, as Rothstein and Uslaner (2005) have argued, a high level of equality is strongly correlated with high levels of social trust. Social trust, we submit, lowers transaction costs in the social economy, and in the context of an increasingly competitive and fast changing world, those systems that can lower transaction costs have many competitive advantages.

Why does Social Democracy Work?

Perhaps neo-liberals or classical conservatives will find the data presented above difficult to accept. They will not like, or will not believe, that countries with high levels of taxation, social spending and economic equality, can do so well in terms of economic performance, budgetary finance, and/or social trust/satisfaction and happiness. Perhaps such skeptics will argue that there is something about these countries that makes them so successful *other than* the distinctive public policies they have pursued; or perhaps that they are successful *despite* the Social Democratic policies they have pursued (Bergh 2006). We submit that the key to these outcomes demonstrated here has been that the Social Democratic states have been able to strike a balance between, equity, inclusiveness and personal choice or freedom. Social Democracies have pursued policies that first attempt to build and support the whole of society, rather than simply their voters and/or class supporters, , and secondly these systems attempt to give individuals more life choices within that community. As a result transaction costs in social and economic relations are lowered than they would otherwise be.

The following table shows the amount of social welfare public spending is delivered via income testing benefits in several OECD countries. What we see is that it is the Anglophone countries, in particular, that rely heavily on targets ‘poor relief’ programs, whereas countries dominated by Social Democratic policies use these targeted policies much less.

Table 3 –
Public Social Expenditure on Income Tested Programs
selected OECD countries - 2007,

	% GDP	% Soc X public	SocX public in Cash
Australia	5.6	34.9	75.9
Denmark	1.6	6.2	13
France	4.1	14.5	24.1
Germany	3.3	13.1	22.5
Ireland	4.3	26.3	48.4
Italy	1.2	5	7.3
Japan	0.6	3	5.3
Neth.	3.6	18.1	36.1
Norway	1.4	6.8	14.1
Sweden	1.1	4	8.5
U.K.	5	24.1	50
U.S.	1.2	7.5	15.2
OECD Avg.	2	10.6	21.2

Source: Table I.1 "Anglophone countries Income Testing Plays an important role in Social Policy, OECD, <http://www.oecd-ilibrary.org/docserver/download/fulltext/5kg2d2d4pbf0.pdf?expires=1336309797&id=id&accname=guest&checksum=27C1091A564B5BFDAB790A77C01F36A3>

Neo-liberal regimes also emphasize individual choices, but instead of improving life choices, including heavy investment in human capital, within a community, these regimes pit individual against individual. These societies can well achieve high levels of competitive success, but at the cost of social cohesion, interpersonal trust, broad based high quality education and in the end, increased anomie. More explicitly redistributive welfare states have often built large and expensive social programs, but these systems champion the interests of the organized and politically powerful resulting for example in what we would call “pension states”. Thus, the critical difference between classically redistributive welfare states and Social Democracy is that whereas Social Democracy is universalist, the more common type of welfare state like those found in many European countries and most obviously in the Anglo-American world are targeted. Certainly it is true that even the most universalistic Social Democratic state, Sweden, has several programmes that are designed to aid particular target groups. But in the continental welfare state virtually all programmes are targeted to specific groups. Social programmes in these countries, especially in the social insurance sector, usually cater to specific (employment-based) segments of the population that are therefore treated differently by the state according. Ironically, in this way they are more similar to the liberal states like the US.

Continued support for the Social Democratic Welfare State

We have highlighted many of the strengths of the Social Democratic model of society and shown how it has been the foundation of some of the most successful political economies in the advanced democratic world. Still, many analysts believe that the election of Centre-Right governments in countries like Sweden surely spell the death of Social Democracy in these countries. We are skeptical of this argument. Public opinion evidence demonstrates that the foundational principles and policies of Social Democracy are highly popular in these countries. In other words, it would be political suicide for the centre-right parties to make a head on attack on the Social Democratic state, something that these parties also have realized. The table below gives some indication of the level of support the voting public, in Sweden at least, have for some of the basic features of the welfare state. It also demonstrates that they are *increasingly* willing to pay taxes to finance these programmes. Stefan Svallfors, Sweden’s leading expert on public attitudes on the welfare state summarizes his findings as follows: “There are two remarkable findings in Table 2. One is the sharply increased

willingness between 2002 and 2010 to pay more taxes... The second finding is that for all listed policies, the proportion that is willing to pay more taxes is actually *larger* than the proportion that want to increase overall spending for that policy” (Svallfors 2011:9).

Table 2
Attitudes towards public spending in Sweden, 1997-2010

“Individual willingness to pay taxes for welfare policies. Willingness to pay more taxes for...
 Percent answering ‘definitely’ or ‘probably’.

	1997	2002	2010
<i>Medial and Health Care</i>	67	65	75
<i>Support for the elderly</i>	62	60	73
<i>Support for families with children (child allowances, child care)</i>	42	39	51
<i>Social Assistance</i>	29	25	40
<i>Comprehensive and Secondary Schooling</i>	62	61	71
<i>Employment policy measures</i>	40	31	54
<i>base</i>	1290	1075	3800

Source: Svalfors, 2011, Table 2.

In short, we do not believe that the major threat to Social Democracy *in Social Democratic states* comes from the pernicious undermining of the social welfare state by mass political parties. We cite Svalfors’ conclusions from his most recent analysis of Swedish attitudes:

Hence, no corrosive feedback effects from changing welfare policies may be detected in the Swedish public. It seems rather that the changes in institutional practices and political rhetoric that have taken place in the 1990s and 2000s have further strengthened middle-class support for the welfare state. In an ironic twist of fate, market –emulating reforms of the welfare state and the changed political rhetoric of the political right-of-center completed the full ideological integration of the middle class into the welfare state. The electoral base for any resistance against a high-tax high-spending, collective welfare state now looks completely eroded. While the Social Democratic party suffers, the Social Democratic welfare state thrives (Svalfors 2011:15).

Challenges for Social Democracy – from the Right and the Left

Having noted that there continues to be widespread support for the Social Democratic welfare state amongst strong majorities of voters, we are not so sanguine as to believe that there are no challenges ahead for Social Democratic societies. Our argument has been that one of the core principles of *Social Democracy* is that of *universality*. In our view, there are two potential threats to this fundamental principle emerging in several Social Democratic states. Curiously, these threats come from both the political Right and the Left in these countries.

The first, and certainly most obvious, challenge to the universalistic principles underlying Social Democracy comes from an emerging anti-immigrant sentiment in several of these countries. In the most recent elections in Sweden, for example, the anti-immigrant Sweden Democrats (SvD) party won 5.7% of the popular vote and entered the Riksdag for the first time. Similar populist parties that have sprung have been a feature of Danish and Norwegian electoral politics for a much longer time. However, it should be underlined that these parties are not anti-welfare, or anti-social spending, but are instead right wing anti-immigrant parties arguing that immigrants overuse and/or abuse the social programmes or, because they immigrants, have no right to benefit from these programmes (Rydgren 2012). However, recent analysis shows that increased ethnic heterogeneity is not necessarily a major problem for the underlying social solidarity on which the Social Democratic type of welfare states are built on. Repeated surveys on the level of social trust among the population in the Nordic countries show that despite the high level of immigration to especially Sweden and Denmark, the level of social trust remains uniquely high and stable.⁸ Moreover, Dinesen (2011a and 2011b) as well as Kumlin and Rothstein (2010) show that immigrants that come from countries in which the level of social trust is very low, often increase their level of social trust to a considerable extent. The most important factor for this to happen is if they perceive that they have been even-handedly and fairly treated by the government authorities. And since universal programmes are not plagued by intrusive means-testing, such institutional fairness is easier to achieve in a typical Social Democratic welfare state. Thus, the “new liberal dilemma” as it has been called, stating that increased ethnic heterogeneity spells problems for social trust and social solidarity, may not be as “set in stone” and may not be as problematic for the Social Democratic type social solidarity as it has been portrayed (Kumlin and Rothstein 2010:77). One reason may be that since universal social services and social

⁸ Social trust, also known as generalized trust, is measured by answers to questions if the respondent think that “in general, most people can be trusted”.

insurance programs are less prone to “overuse” or “abuse”, this may work to the advantage of Social Democratic parties in dealing with the

Another interesting challenge, in our view, comes from the radical-left within these countries. Here we see a new politics arising in which particular groups, interests, and identities are to be championed and given special attention or treatment. We submit this is dangerous for Social Democracy as well. In recent years there has been considerable pressure from the Left within the Social Democratic movements towards various forms of and identity politics. Ethnicity, sexual orientations, and various “life-style” issues have been proposed as mobilizing factors that have become grounds for making specific demands for targeted policies for these identity groups. We believe that this political discourse is difficult to combine with universalism (Dahlström 2004).

We argue here that, for the Social Democratic project to be sustainable, it is essential to keep and maintain the general welfare systems, and not to conduct a politics directed at ‘the most vulnerable.’ The reasons for this are threefold. Firstly, general welfare systems need to encompass the middle class, without which it is impossible to reach a majority in favour of such politics, or generate a sufficiently large amount of tax revenues in order to carry out general welfare politics. Secondly, general systems prove more efficient in achieving redistribution to resource-weak groups, compared to politics immediately directed at these groups. This may seem counter-intuitive, taxing the rich in order to give to the poor ought to accomplish the largest redistribution, but both theoretical models and empirical studies show that this is not the case. It is when you tax ‘all’ in order to give to ‘all’ that you will achieve the largest redistribution. The explanation is that taxes most often are proportional or somewhat progressive, but that service and many social insurance benefits are nominal. This makes general social insurance systems formidable machines of redistribution. The third reason is that programs directed toward especially vulnerable groups tend to stigmatize these very groups, rendering the programs partly counter-productive

Conclusions

As the other chapters in this volume point out, there are many plausible explanations for why we are currently witnessing a crisis at the polls for European Social Democracy. What we have pointed out is that one cause can be dismissed, namely that compared to other socio-

economic models, the Social Democratic one does not deliver. As we show, based on a large set of standard measures of what should be counted as a “successful society”, to a surprising degree the Social Democratic model outperforms not only the low tax/low public spending neo-liberal model but also the more centrist Christian-Democratic model. There may be many reasons for why several leading Social Democratic parties have still not been able to convert this to electoral success and struggle to find a politically viable strategy. But the fact that Social Democracy as an idea or as a viable model has failed, is clearly not one of them. It is all the more strange since one can argue that Social Democracy’s main ideological adversary, namely neo-liberal market fundamentalism, is in serious trouble. The October 2008 crash of the financial markets has made the idea that markets ought and should not be regulated quite controversial. We note, for example, that even the call for “austerity” so common in the early half of 2012 is already breaking down towards demands for more equal sacrifices across all groups and classes in society.

While some extreme politicians on the right in the US may still espouse some version of a neo-liberal doctrine, and believe that markets if left to themselves would take care of whatever “imperfections,” for most economists and politicians alike, this argument has lost a large part of its credibility. It is worth noting that while the Nobel economist prize committee at one time donned their seal of approval on free market ideologies, more recent winners such as Joseph Stiglitz and Paul Krugman have argued that the Chicago School of economics need to be passed to the landfills of history.

The recent (May 2012) success by the French Socialists in the Presidential election and the dramatic increase in the polls for the Swedish Social Democrats may indicate that the tides are turning. One historical parallel may be put forward as an answer to why the deep economic downturn of 2008, which at least to some extent has discredited neo-liberalism, has not resulted in an immediate political gain for Social Democratic parties. In a recent study, Johannes Lindvall shows that the 1929 economic crisis that resulted in the even more dramatic economic depression of the 1930s, did not result in any immediate political gains for the left parties. He shows that it actually took the Social Democratic parties in the Nordic countries quite some time to come up with a new political-economic model that resulted in their long term political success. The electoral successes of the left came three or more years after 1929. As Lindvall shows, the pattern is to a large extent the same in the current crisis which implies that voters do not immediately swing to the left when market economies

collapse. It is first when the parties to the left have presented a credible programme for handling the crisis that this shift may occur. This would imply that the current difficulties for the European Social Democracy are more of an intellectual and strategic problem than a problem of performance.

Figure 1

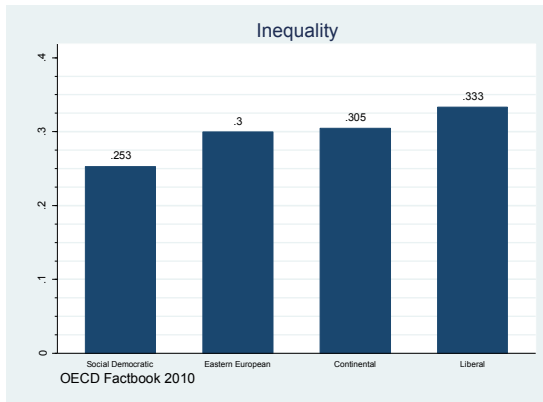


Figure 2

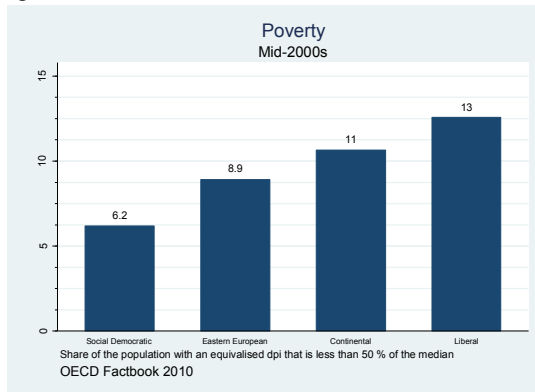


Figure 3

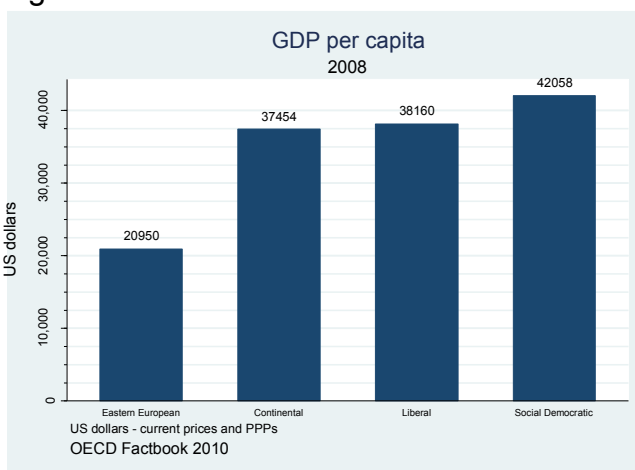


Figure 4

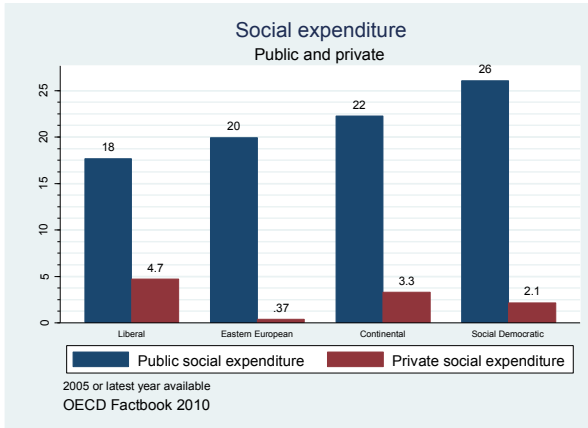
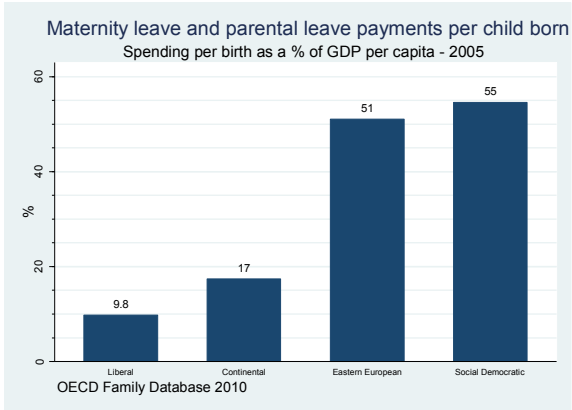


Figure 5



*Missing data: US and CZE.

Figure 6

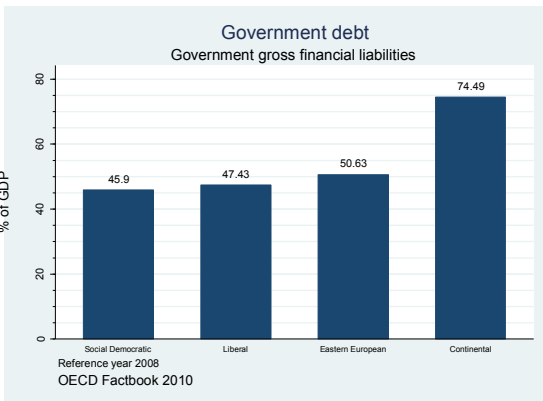


Figure 7

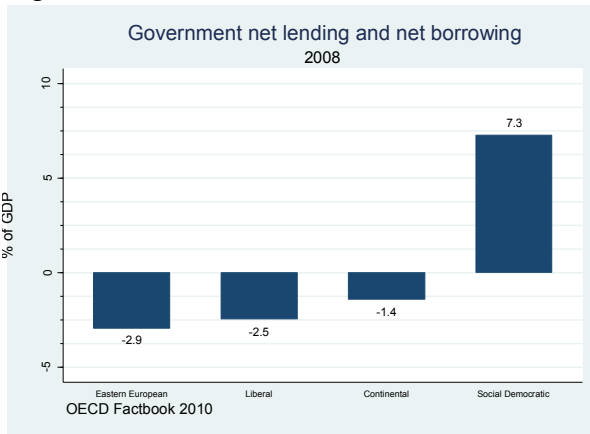


Figure 8

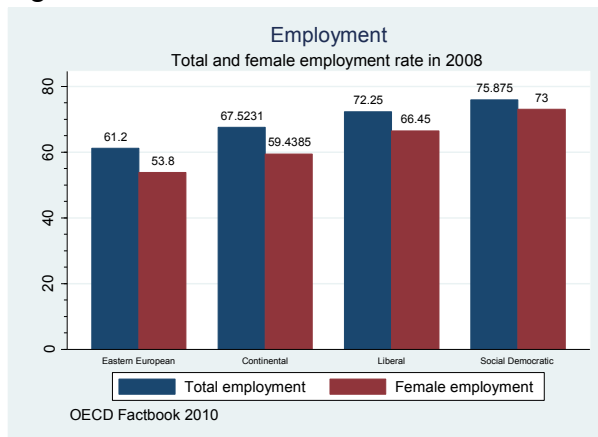


Figure 9

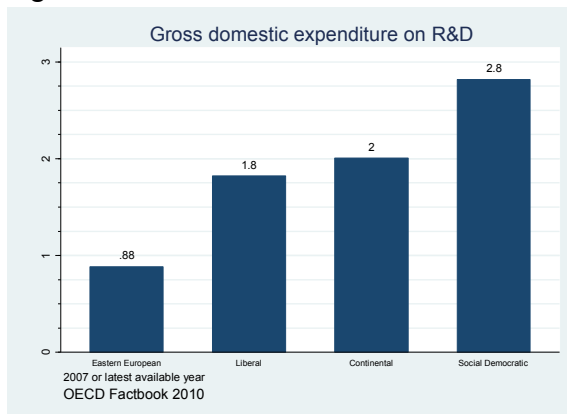
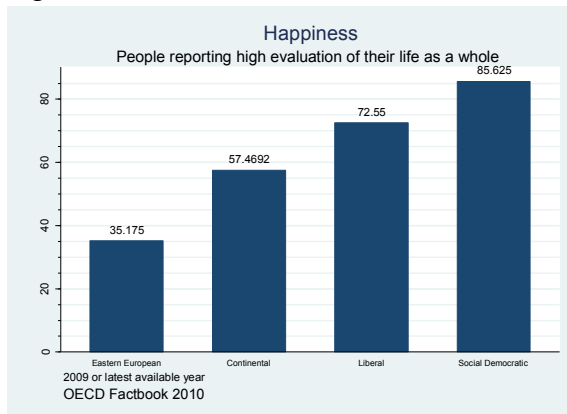


Figure 10



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