

LABOUR AND DEVELOPMENT

## WHAT CAN BE LEARNT FROM THE NORDIC MODEL?

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There is a lot of heated discussion on the welfare state, or the *European Social Model*<sup>1</sup> which it is often named in Europe. In my part of the world we call it the *Nordic Model*, which by many people all over the world is considered the most advanced version of this social model.

The welfare state represented great progress in terms of living and working conditions, unprecedented in the history of mankind. Public health, life expectancy and social security improved enormously over a short period of time as the welfare state developed in the last century. It therefore became enormously popular among ordinary people.

In the current era of neo-liberal hegemony, however, the welfare state is being attacked by strong political and economic forces in society. Deregulation of the economy, privatisation and cuts in public budgets contribute to changing the specific power relations that were decisive for the development of the welfare state. Its very existence is thereby put at risk.

There is, however, a lack of analysis and focus in public debate on what made the welfare state possible. The entire question is being depoliticised. This makes it possible even for those who attack social institutions and provisions to argue that it is done in order to modernise the welfare state and to defend and protect it for future generations.

We also experience that many labour organisations in the South as well as left-leaning politicians (e.g. President Lula in Brazil) are interested in *importing* this model to their countries. Trade unions and political parties, particularly social democratic parties, of the North are just as eager to *export* their successful social model, and they use a lot of resources to transfer their experiences to the South. Social peace, tri-partite co-operation and social dialogue are being promoted as central measures in order to achieve the welfare state.

In this article I will challenge these rather simplistic concepts of the welfare state. This social model which developed in a very specific historic context cannot be assessed independently from its social and historical origin and the power relations which made it possible. If we really want to get to grips with the potential, the actual development and the perspective of the welfare state, a deeper and more thorough analysis and understanding of this particular social model is crucial.

### **The political economy of the welfare state**

Some kind of social services (health, education, social protection, etc.) will develop in all countries as the economy develops. The economy itself demands a lot in terms of the reproduction of labour, qualifications, public transport and so on. The organisational form, quality and level of these services, however, will reflect power relations in the actual societies as well as internationally.

In the last resort, therefore, the question of democratically managed, universally accessible public services, as opposed to profit-driven private service markets, is one of structural power — of economic, social and political power relations in society. The welfare state is thus the result of social struggles. High quality public health services, national insurance schemes, social security and other public services were introduced and improved as a result of the increasing power of organised labour. Public ownership and control of the basic infrastructure in society, of the utilities, represent an important part of these new power relations.

However, the welfare state as we know it was not only a product of power relations in general, but the result of a very specific historical development in the 20<sup>th</sup> century, including the Russian revolution (see below). Contrary to being the result of social dialogue and tri-partite co-operation, as many in the labour movement will have it, the welfare state was the result of a long period of hard social struggle and class confrontations.

Ever since capitalism became the dominant mode of production in our societies, it has developed from boom to bust, from bust to boom. The relatively unregulated *laissez-faire* capitalism of the 19<sup>th</sup> and first half of the 20<sup>th</sup> century represented strong exploitation of workers in general, and caused extraordinary misery during its bust periods. The response of the working class became to organise and fight — at the workplace as well as at the political level. Through this fight the labour movement gradually achieved better wages, better working conditions, and high quality social welfare provisions.

This period was thus strongly dominated by social confrontations. There were general strikes and lockouts. There were use of police and military forces against striking workers, also in the Scandinavian countries. People were wounded and killed in these confrontations. As the labour organisations developed and became stronger, they gradually gained ground in the social struggle. A big part of the movement turned politically to socialism as a means to end capitalist exploitation. Demands for systemic changes became prevalent.

The international economic depression of the 1930s, in particular, led to increased popular pressure for political interventions in the markets. Mass unemployment, increased misery, fascism and war produced massive demands for peace, social security, full employment and political control of the economy. When the leaders of the victorious nations met at the Bretton Woods conference towards the end of World War II (WWII), therefore, the message from their workers and citizens back home was

clear: The unregulated crisis-stricken capitalism must come to an end. Under the then existing balance of power, the Keynesian model of regulated capitalism won hegemony, and thus the social and economic foundation for the welfare state was created.

In this regard, it is important to notice that the strength of labour resulted not only in better trade union rights and regulated labour markets. Much more important was the general taming of market forces. The power of capital was reduced in favour of politically elected bodies. Competition was dampened through political interventions in the market. Capital control was introduced and financial capital became strictly regulated. Through a strong expansion of the public sector and the welfare state, a great part of the economy was taken out of the market altogether and made subject to political decisions. This general taming of market forces was a precondition for the development of the welfare state, and the resulting comprehensive regulatory framework became more important than labour legislation in providing better working conditions.<sup>2</sup>

The welfare state, in other words, is not only a sum of social institutions and public budgets. It represents first and foremost specific power relations in society.<sup>3</sup> Capital control, in particular, made it possible for governments to pursue a policy of national and social development without continually being confronted with capital's exit strategies where big corporations threatened to flag out, to move to other countries with more favourable conditions, if their interests were hurt. In short, public welfare is a question of power!

### **The social pact policy**

An important part of the history of the welfare state as well as of the balance of power in society is the social pact or the class compromise. As there is no room for a comprehensive analysis here, I will only focus on some key elements of this specific, historical development. During the last century, the social struggle between labour and capital in many countries turned into static warfare in which none of the parties were very successful in advancing their positions. The labour movement was not able to capture new power positions and capital forces were not able to defeat the workers' organisations. As a result of this, the trade union movement gradually developed a sort of peaceful cohabitation with capitalist interests.

In the 1930s this cohabitation started to become institutionalised in some parts of Europe when the trade union movement stroke accords with employers' organisations, particularly in the North, and after WWII also in most of Western Europe. From a period characterised by hard confrontations between labour and capital, societies entered a phase of social peace, bi- and tripartite negotiations and consensus policies. It was the balance of power within the framework of this social pact between labour and capital that formed the basis on which the welfare state was developed — and working and living conditions as well as social provisions were gradually improved.

One important factor in the post-WWII period was that international capitalism experienced more than 20 years of stable and strong economic growth. This made it easier to share the dividend between labour, capital and the public sector.

It is important to realise that this social partnership between labour and capital was a result of the actual strength of the trade union and the labour movement. The employers and their organisations realised that they were not able to defeat the trade unions. They had to recognise them as representatives of the workers and to negotiate

with them. The peaceful cohabitation between labour and capital rested in other words on a strong labour movement — a strength which was developed exactly through the many struggles and confrontations between labour and capital in the previous period.

An important feature of this context was the existence of a competing economic system in the Soviet Union and Eastern Europe. As the British historian Eric Hobsbawm has pointed out, this was instrumental in making the capitalists in the West accept a compromise (cf. References: Hobsbawm). It is also important to note that the welfare state, in the form of regulated capitalism, was never an aim for the labour movement before it was created. The stated aim was socialism. It was in fear of socialism (after the Russian revolution and a strengthening and radicalisation of the labour movement in Western Europe during WWII) that capital owners in Western Europe gave in to many of the demands of the labour movement. They voluntarily entered into social pacts and gave in to many of labour's social and economic demands in order to win time and dampen socialist sentiments in the labour movement. 50 years later, we can today state that this corporate strategy proved to be quite successful.

The fact that the welfare state was not the expressed aim of the labour movement, but the result of the specific historic compromise between labour and capital is also reflected in the mixed characteristics of the welfare state. On one hand, parts of it represent the seeds of the labour movement's vision of another and better society (social insurance, child benefit, redistribution, free welfare services, universal rights). On the other hand, other parts of the welfare state function more like a repair shop of a brutal and inhumane economic system, where deficiencies are compensated (e.g. unemployment benefits, and various pension schemes and benefits linked to work-related disabilities, occupational health problems, labour market exclusions, etc.).

We should also keep in mind that there were ideological and political struggles within the labour movement on the way forward. The more radical or revolutionary currents wanted to socialise, or democratise the ownership of the means of production, while the more moderate or reformist currents aimed at delimiting the power of capital through political regulation and reforms. It was precisely the strength of the more radical currents that made capitalist forces go for a class compromise in Western Europe. The important role of the Soviet Union in this regard was due to the fact that capital owners in Western Europe feared that if it should come to a confrontation over state power in Western European countries, Soviet Union would support the more radical currents.<sup>4</sup>

In any case, the policy of the social pact, which in reality became the development of the welfare state, resulted in enormous improvements in living and working conditions. In the labour movement this led to the common understanding that a way had been found to a society which brought social progress and a relatively fair distribution of wealth to ordinary people — without having to make all the sacrifices connected with class struggle and social confrontations. Settlements between labour and capital were made in rather orderly and peaceful ways at the national level. The dominant perception was that society had reached a higher level of civilisation.

Through gradual reforms the labour movement had increased democratic control of the economy. Crisis-free capitalism had become a reality! No more economic crises like that of the 1930s, no more mass unemployment, no more social distress, no more concentration of wealth among the rich and privileged, no more misery among people. All social trends pointed upwards. For a great many in the labour movement this was the reformist road to socialism — and it was for everybody to see that it worked! These

social achievements formed the material basis for a social partnership ideology which became, and still is, deeply rooted in the national and European labour movements.

For the trade union movement the social pact in reality represented the acceptance of the capitalist organisation of production, the private ownership of the means of production and the employers' right to lead the labour process.<sup>5</sup> In exchange for the gains in terms of welfare and working conditions the trade union confederations guaranteed industrial peace and restraint in wage negotiations. Put simply, the welfare state and the gradually improved living conditions were what the rather peaceful labour movement achieved in exchange for giving up its socialist project. Today we can conclude that it was a short-term achievement in a very specific historical context.

Now, more than 50 years later, we have to admit that the capitalists to a far degree have succeeded with their strategy. Due to important achievements in terms of welfare, wages and working conditions, the policy of the social pact gained massive support from the working class, and the more radical and anti-capitalist parts of the labour movement were gradually marginalised. The dominant parts of the labour movement also started to see the social progress as an effect of social peace and co-operation with more civilised capital owners. To many of the trade union leaders of the time, social confrontations actually became negative features that had adverse effects on workers' conditions and therefore should be avoided. Combined with the dominant conception that free-market capitalism was defeated, this development led to the depoliticisation and deradicalisation of the labour movement and the bureaucratisation of the trade union movement. It became the historic role of the social democratic parties to administer this policy of class compromise.

What the ideology of the social pact fails to explain, is that the great achievements in terms of welfare and better working conditions during the era of the class compromise after WWII represented a harvesting period. This was made possible only because large segments of the working class had been able to shift the balance of power between labour and capital through a number of confrontations and hard class struggles during the first part of the 20<sup>th</sup> century (including the Russian revolution).

In other words, it was the confrontational struggles of the previous period, as well as the still existing organisational strength, which made it possible for the trade unionists of the social partnership era to achieve what they did through peaceful negotiations. Thus, we face the paradoxical situation, that the ideology of the social pact, which also became the ideology of the welfare state, in the long run undermined the power basis on which the same welfare state was developed!

### **The turning point — the neo-liberal offensive**

As the reconstruction and rebuilding of the economy after WWII came to an end, the post-war Keynesian economic model ran into increasing problems. Stagnation, inflation and profit crises became prevalent. Spurred by these international economic crises, market forces went on the offensive and the current era of neo-liberalism started. The politics of the social pact thus culminated in the 1970s. After that, the capitalist forces changed their strategy in order to restore profitability, withdrawing gradually from the social pact and introducing more confrontational policies against labour.

The political and ideological hegemony which the capitalist forces then were able to achieve in a very short period of time has been used to carry out a quick and system-

atic project of deregulation. Some of the results are increased market competition, attacks on wages, labour laws, agreements and power positions which were won during the era of the welfare economy, and which at that time were accepted by the employers as part of the class compromise. Through political pressure, threats of flagging out or speculative attacks on currencies, they go far towards sanctioning government policies and push forward cuts in public budgets — i.e. the economy of the welfare state.

Most of the complex system of regulatory means which were used to tame the market forces and thus to create the preconditions for the development of the welfare state have simply been removed. This policy of deregulation has led to the development of a completely crazy, speculative economy, in which more than 90 per cent of international, economic transactions are speculative, mainly currency speculation, and to an unprecedented redistribution of wealth — from public to private, from labour to capital and from the poor to the rich. Public as well as private poverty is growing side by side with an ever more visible private abundance of wealth among the elite.

The redistribution model of the welfare state has, in other words, been turned upside down.

### **Scant resistance to neo-liberal offensive**

An important part of the strategy of capital has been the restructuring of capitalist production at the global level. Global production chains, lean production, outsourcing, offshoring and relocation of assembly lines as well as of supportive services are central features of this development. Workers and social models are being played out against each other as a result of this more and more unlimited freedom of movement of capital, goods and services. New Public Management has introduced private sector models also in the public sector. Market freedom and the ability to compete on increasingly deregulated international markets have been the guiding principles behind the actual policies. As a result, competition is increasing in the labour market and a rapid growth of precarious work is undermining trade union and workers rights. A widespread *brutalisation of work*<sup>6</sup> is one of the more serious adverse effects of this development.

This capitalist offensive did not meet much resistance. The labour movement was not very well prepared for the new economic and social situation. The trade unions had difficulties to act under the changed economic and social conditions as their policies and activities were mainly linked to their experiences in a period of economic prosperity. In addition, the process of depolitisation and deradicalisation which had taken place during the era of the social pact, made it easier for capital owners to try to *solve* the crisis by attacking working conditions, trade union and workers' rights, public services and social rights and provisions.

What we have been facing over the last twenty years is therefore the abolition of capital control, the deregulation and liberalisation of markets, the redistribution and concentration of wealth, the privatisation of public services, the increased use of competitive tendering and outsourcing, the downsizing of the workforce to the absolute minimum and the consequent increasing labour intensity, and the flexibilisation of labour markets. In this way, most of the economic and material basis on which the welfare state was developed, is simply gone.

## Fundamental change

It is not a temporary setback we are facing, but a fundamental change in the development of our societies. Behind the massive shift in the balance of power in society, which we have experienced over the last couple of decades, we can identify some strong economic and political forces. *Globalisation* is not a necessary consequence of technological and organisational changes, as some will have it, but a result of strategic and political decisions in the closed boardrooms of multinational companies, in financial institutions and by governments.

Through informal and unaccountable power structures like the G8, institutions like the International Monetary Fund (IMF), the World Bank and the World Trade Organisation (WTO), regional institutions like the European Union (EU) and the North American Free Trade Agreement (NAFTA) and other bilateral and regional trade agreements, neo-liberal policies are being pushed through and institutionalised internationally. In short, an immense shift in the balance of power between labour and capital has taken place, and this time in favour of capital. The big multinational companies have been in the forefront of this development — with their newly achieved freedom from democratic regulation and control.

The fact that the power basis of the welfare state is eroding, does not, of course, mean that we can risk ending up in a pre-welfare state situation, where social spending constituted a considerable smaller part of GDP than today (cf. Lindert, p. 11 ff.). Society has developed a lot since then, and the current economy is completely dependent of a number of social and public services. It is therefore not only the size of the public sector that is decisive in this regard, but also, and even more importantly, the power relations within it.

The undermining and weakening of the welfare state will first and foremost be reflected in the organisational forms, the stratification, the quality and the level of the social services — through privatisation, increased use of competitive tendering, increased poverty and inequality in society, more and higher user fees, the transition from universal services to means testing, the increased commodification of labour (cf. Esping-Andersen, p. 35 ff.) and so on. Due to strengthened market forces, many people will also experience reduced access to decent housing, deteriorating working conditions and health services.

## From consensus to confrontation

Based on the above, we can conclude that the weakening and deconstruction of the welfare state is going on, but the potential of the new power relations is not exhausted. Institutional slowness, the existence of universal suffrage and democratic institutions (although weakened) and sporadic social resistance slow down the speed of the deconstruction process. Whether or not that process will be allowed to continue will therefore depend on the breadth and strength of the social resistance that will be mobilised in defence of the achievements which were won through the welfare state — and subsequently for more offensive social and political aims.

The facts that the relatively stable class compromise of the post-WWII period has broken down, and that the capitalist forces are withdrawing from the social pact, does also imply that the consensus policies of the social pact are gradually being replaced by confrontational attacks. In other words, bi- and tripartite negotiations, or *social dialogue* which they are now being called in the European Union, no longer work the same way as they did during the social pact period.

The trade union movement was taken by surprise by this development. The shift from consensus to confrontation on the side of capital was incomprehensible within the consensus-oriented social pact ideology of the labour movement. The breakdown of the historic compromise therefore also led to a political and ideological crisis in the social democratic parties and in most of the labour movement. With a depoliticised and passive membership, and an increasingly self-recruiting leadership which was moving into the elite of society, social democratic parties rapidly adapted to the dominant neo-liberal agenda, although in the form of softer alternatives than the original right wing version.

### **"Globalisation" mantra**

In this context, globalisation, rather than to be the concrete form of the current neo-liberal offensive, became interpreted as a *necessary* phase of development of the new world economy. "Globalisation is here to stay" has been the mantra of dominant parts of the labour movement; and larger parts of the trade union movement in developed countries have therefore also come out in favour of a narrowly focused policy to strengthen the international competitiveness of *their own* companies ("business unionism"). Increased "flexibility", including in its new, dressed up version *flexicurity*, which means the weakening of working conditions and labour regulations, has been accepted in the name of "increased competitiveness". Competitiveness, in turn, is being launched as the one and only way to secure jobs.

Deregulation and liberalisation of the economy in general have also been widely accepted, provided they are accompanied by labour standards (or *social clauses*). Thus, a focus on real power relations and limitation of market forces through enforceable regulations has been replaced by a sort of legal formalism — both at the national level, within the European Union and in international institutions like the WTO and the World Bank. An entire academic industry focusing on corporate social responsibility (CSR), in the form of voluntary ethical standards, has emerged in this vacuum created by the crumbling power of trade unions and social movements — and with an army of well-financed and well-intentioned NGOs and research groups to produce this ideological smokescreen over the immense shift in power relations in favour of capitalist interests that is going on in the real world.

These policies do not aim to fight the liberalisation of the economy itself, but *the negative effects of liberalisation on the workers*. However, liberalisation without negative effects on workers does not exist. It is the liberalisation process that is the problem. If trade unions and social movements want to reduce the negative effects of liberalisation, they will therefore have to fight liberalisation itself, since liberalisation means deregulation and privatisation, which exactly represent the way the ongoing, enormous shift in the balance of power in society is being carried out.

This is one of the most important experiences the short history of the welfare state has given us. Quite a lot of the regulations that we have in society today have exactly been introduced as a result of social and trade union struggles to protect workers, women, children and the environment from the excesses of free-market capitalism. The great social progress that we experienced in the era of the welfare state was achieved precisely through regulations. Workers secured their interests and gained more power and influence through regulation and through increased public ownership. Regulation in this regard means laws and rules which delimit the power of capital and market forces and at the same time give more power to democratically elected bodies as well

as to employees and trade unions. Liberalisation means that these instruments for democracy, social protection and trade union and workers' power are being scrapped and abolished.

The rather narrow focus on CSR and social dialogue will therefore do nothing but lead the struggle astray. Demands for a new class compromise, obviously with a nostalgic hope that the social peace and the gradual improvement of social conditions of the 1960s could be restored, do not have any realistic basis under the current balance of power. The social forces that want to defend public services and gains of the welfare state will therefore have to meet the confrontational attacks from the capitalist forces with a counteroffensive. Whether one likes it or not, the reality is that social relations are shifting from consensus to confrontation. The labour movement had better be prepared.

### **The brutalisation of work**

One important effect of the new balance of power is a serious brutalisation of work. An increasing number of workers are being excluded from the labour market, declared unable to work. We experience an all-time high in sick leave, as well as an increase in occupational injuries and accidents. A growing number of workers experience increasing stress and so-called chronic fatigue syndrome at the work place. In many industries and sectors, workers experience degradation of working conditions, with less influence over the work process. In short, there are many signals that something dramatic is about to happen to our labour market and to our whole relationship to work.

Many people have therefore experienced in the past years that the work pressure has become tougher, that labour laws and agreements are often undermined and put aside in the daily work, and that insecurity and uncertainty have increased. A rapidly growing number of workers are being excluded from the labour market altogether. In Norway, almost 15 per cent of the total population between the ages of 16 and 67 — the latter being the ordinary age of retirement — are now in early retirement, receiving disability benefits or in some kind of rehabilitation. The figure has doubled over the last 20 years. At the same time, trade union and labour rights are being weakened and undermined. There is no doubt, then, that a serious brutalisation of work is going on.

This represents a serious break with developments during the golden era of the welfare economy. At that time, at least in the industrialised world, we experienced a gradual improvement of working conditions over a long period — a development that included dampened competition, shorter and better regulated working hours, longer annual leave, better job security, the introduction and improvement of sick pay, a reduction in work intensity, less stress, the removal of many health-hazardous workplaces, and the development of gradually better working environment legislation. This developed in parallel with a high level of employment, improved trade union rights, increasing co-determination in the workplace and in companies, etc.

This does not mean that we had an ideal working environment. Far from it; there were many problems and challenges ahead. What it means is that we had a positive development. Working conditions and working environments were gradually being improved. That is no longer the general trend. The shift in development is so profound that workers' human dignity is being heavily attacked.

In particular, new management methods, new work processes, new organisational structures and increased competition in the markets have had immense effects on working conditions and workers' health. The Australian professor Michael Quinlan went through 29 different reports about the effects of outsourcing and competition in both the private and public sectors. The clear conclusion was that:

Completely independent of the different research methods that are used, the results go overwhelmingly in the same direction. Outsourcing affects the health, says Michael Quinlan.... 23 of the 29 studies of outsourcing show that injury, stress and other health problems increase. None of those show health improvements at any point....

"We can without doubt conclude with overwhelming evidence that the new work regime worsens people's health. The result is anything from deaths to dangerous situations and increased psychological stress," he says.

(From Norwegian daily *Klassekampen*, 30 June 2001; my translation)

The increased exclusion from the labour market, however, is not necessarily and not only a result of the deterioration of workers' health. Norwegian health authorities state that there is no identifiable deterioration of public health in Norway. Health problems and disabilities are relative, and dependent on how societies and workplaces are adapted to accommodate the needs of different people. The problem of increased exclusion from the labour market is therefore first and foremost related to growing demands at work.

Workers are being excluded at an earlier stage than before. Due to increased competition, more rapid restructuring of companies and public undertakings and changing working relations, less control over the work process and more precarious work, the demands on workers are becoming more and more intolerable. At the same time research and experience prove that measures taken by politicians and public authorities to stop and reduce this exclusion from the labour market have failed all over Europe, as proved by the European Foundation for the Improvement of Living and Working Conditions (referred in the Norwegian trade union newsletter *LOnytt*, 5 Feb. 2001).

This is not a big surprise. If one does not analyse — or if one even denies the existence of — the power structures and the driving forces that lay behind the ongoing brutalisation of work, one will never succeed in fighting it. There are causes and there are effects, and if you want to influence the effects, you will have to attack the causes. That is not being done by our politicians and public authorities today. They are scratching on the surface and attacking the symptoms rather than the causes — and their results are vain. On the contrary, through their welfare-to-work policies and their attacks on sick pay and social benefits they are spreading a climate of suspicion, disgrace and humiliation. They are individualising and privatising serious social problems. Workers are made to believe that it is due to their own problems that they are being excluded from the labour market: "It is I who am not good enough and cannot master the new demands in the labour market."

The increasing gap between rich and poor in society is adding to these adverse effects on peoples' health and well-being. Professor Vicente Navarro concludes that the growing inequalities we are witnessing in the world today are having a very negative impact on the health and quality of life of its populations. He proves that it is the inequality itself that is bad, i.e., the distance among social groups and individuals and the lack of social cohesion which this distance creates. (cf. Navarro, p 26.) In other

words, as neo-liberal policies increase the poverty gap, and as increased inequalities lead to health problems, we can conclude that neo-liberal globalisation is a health hazard.

The ideology of the social pact is unable to explain this development or to produce strategies to counteract it. Under the welfare economy there were direct interlinks between economic growth and better living/working conditions. Those links are no longer present — the economy grows, but it leads to setbacks rather than to progress. The entire concept of the welfare state is breaking down.

### **What went wrong?**

The welfare state, and particularly the Nordic model, represented enormous social progress for the great majority of people in society. So, what went wrong, then? Why is something which, in spite of its weaknesses, can be characterised as one of the most successful social models in the history of mankind now being attacked and undermined? Here is a summary of the most important reasons:

Firstly, the social pact was not a stable construction. It was a compromise in a concrete and very specific historical situation, when the main economic and social characteristics of the capitalist system were still intact.

Secondly, something which from the standpoint of the labour movement could have been regarded as an important short-term tactical compromise became the long-term, strategic aim. Instead of being seen as a step towards a more fundamental social emancipation, the class compromise and its offspring, the welfare state, gradually became “the end of history”.

Thirdly, and linked to the previous point, the ideology of the social pact proved to be wrong. The democratic control of the economy was never fully achieved, crisis-free capitalism was not created, and the class struggle was not over.

Fourthly, the labour movement was taken by surprise by the neo-liberal offensive. Rather than mobilise to defend the achievements won through the welfare state and take the social struggle forward, many leaders of the labour movement were pushed on the defensive; they clung to the social peace and social dialogue model, negotiated concessions and adopted a surprisingly large portion of the neo-liberal ideology themselves.

### **Beyond Keynesianism**

There is no reason to moralise over these developments. Neither conspiracy theories nor blame games are especially productive in this context. There are reasons why all this happened, and it is possible to understand the political and ideological effects of the very specific historical developments. The important thing is to analyse them, to try to understand the reasons for the social and political backlash that the labour movement is experiencing, and, not least, to learn from those developments and act accordingly.

The most important lesson from the history of the welfare state as we see it develop today, is that it did not go far enough in taking democratic control of the economy. One of the most successful effects of the welfare state has been the redistribution of income in society. The basic relations of capitalist production, however, prevailed. The

strong concentration of the ownership of capital, of the means of production, thus formed a strong power basis from which an attack on the more equal distribution of goods and services in welfare societies could be launched. This is exactly what we are witnessing today, in form of the ongoing neo-liberal global offensive.

A new social model will therefore have to go beyond the Keynesian welfare state. Emancipatory social policies presuppose a more fundamental shift in the balance of power in society. To achieve that, one has to understand and to focus more strongly on power, and on ownership. It is not a question of good intentions, good will or high morale (or “corporate social responsibility”, as it has been called), but of power relations — the balance of power between labour and capital, between market forces and civil society.

In order to struggle over the long run for another social model in the interests of the great majority in society, it will therefore be necessary to confront the economic, political and social interests behind the attacks on public services and the welfare state. Power structures and power relations will have to be changed. Structural reforms such as a currency-exchange tax, capital control, increased taxation of multinational companies, local control of natural resources, and progressively increased democratic control of the economy should therefore be the starting point, indicating the direction of the necessary struggles to come.

### **Growing resistance**

After initial setbacks, political and ideological confusion, and a number of isolated and lost struggles during the 1980s and 90s, we can today see growing resistance against the existing neo-liberal economic and social order. While a great many people were deluded by the many promises of a bright future if only market forces could be liberated from regulations and other restraints, increasing numbers are now experiencing that the neo-liberal project in reality does not deliver. Thus, neo-liberalism and its global institutions are increasingly being drawn into a crisis of legitimacy.

Power breeds counterpower — and this is all about power. The time is ripe to confront neo-liberalism and the increased power of capital, head on. There is no other way to break the existing development than by once again mobilising broad movements from below. Increasing numbers of people realise that the so-called globalisation of the economy not only represents the offensive of capital, but also its weaknesses — its vulnerability, vulgarity and internal contradictions. Parallel with the growing resistance against corporate globalisation, we are therefore also experiencing an increasing globalisation of the resistance.

Ever more unveiled attacks on welfare and social provisions from multinational corporations, governments and international financial institutions provoke social resistance on a growing scale. In many countries we can see a revitalisation of the trade union movement. New and untraditional national and international coalitions are being developed between trade unions, social movements and NGOs. The new global justice and solidarity movement that has been able to gather more than hundreds of thousands at social forums, and mobilise millions of people in the streets, has generated optimism and confidence that another future is possible.

An increasing number of trade unionists are experiencing that the narrow focus on CSR and social dialogue in the trade union movement does not deliver as expected, and that a much wider and system-critical perspective is necessary. The growing

realisation that labour standards cannot offset the adverse effects of privatisation and deregulation contributes to creating stronger opposition to the policy of liberalisation itself. Successful struggles against privatisation, so-called public-private partnership (PPP), deregulation and other expressions of neo-liberal policies in many countries are strengthening self-confidence and a new belief in social mobilisation as a way forward.

Currently the most encouraging developments can be seen in Latin America, where strong social movements are able to win national elections in openly declared opposition to neo-liberal policies.

### **Immediate tasks**

The following are some of the most important, immediate tasks confronting the labour movement:

#### **To defend the achievements won through the welfare state**

This is our first line of defence. It is a defensive struggle, and we have to realise that we are in a defensive situation. This means to fight privatisation, deregulation and attacks on our social security provisions, to oppose the undermining of the universal social systems that have been developed in many countries, and to prevent them from being replaced by means testing and other humiliating conditions. It also includes fighting for a financing model that is based on a progressive taxation on the “haves” rather than on individual user fees for the “have nots”.

#### **To confront the institutionalisation of neo-liberalism at the international level**

An important element of the strategy consists of the attempts to institutionalise neo-liberal policies at the transnational level. In this way, the interests behind the market-oriented solutions are able to avoid and to overrule democratic structures and processes at the local and national levels. Markets are thus being forced open through legislation at the EU level (the Services Directive being one of the most recent), or through agreements within international institutions like the WTO. To take one example, the General Agreement on Trade in Services (GATS) is being used not only to give market competition priority over social or environmental regulation, but also to make privatisation and deregulation irreversible. Broad international networks of social movements and NGOs have been developed to mobilise against such corporate trade and investment policies. The Our World Is Not For Sale network (OWINFS)<sup>7</sup> is the most important of these, and should be supported by all who want to defend the achievements of the welfare state.

#### **To democratise and further develop our social services/institutions in a user/producer alliance**

Although popular support of public services is broad and comprehensive, there is also widespread discontent with many aspects of them, such as limited accessibility, bureaucratic structures, lower than expected quality, etc. Underfinancing in order to weaken and discredit public services in order to pave the way for future privatisation is a well-known strategy from neo-liberal politicians. It is important not to deny or explain away these deficiencies, but to admit them, to correct them, and to develop a policy for further improvement of them in terms of quality, user influence and accessibility. Democratic and organisational reforms are decisive in this regard and can, if successfully managed, work as strengthened barriers against privatisation and

political attacks in the future.<sup>8</sup> The development of social and political alliances between users of the actual public services and those who produce them is of great strategic importance for the more necessary, decisive social struggle to come.

While these immediate struggles are important in their own right, they must also be developed in a way that strengthens our long-term strategic aims. Our concrete demands and struggles should therefore:

- contribute to shifting the balance of power from capital to labour, from market forces to civil society
- be linked to the experiences, the problems and the interests of the social groups in question, since this is a precondition for effective mobilisation
- contribute to building the broad social alliances that are necessary to win social power.

A considerable shift in the balance of power can only be achieved through a broad interest-based mobilisation of trade unions, social movements and other popular organisations and NGOs, one that is strong enough to confront the corporate interests and put them on the defensive. Ever-broader segments of our societies are victims of the current neo-liberal offensive, and it is those affected social groups that will have to be united in new, untraditional alliances.

In particular, it is important to strengthen the alliance between the trade union movement and the new global justice and solidarity movement which has developed over the last few years. Even though its knowledge and understanding of class relations is rather poor, that movement has been decisive in revitalising popular resistance. With its dynamics, its insistence on independence and democratic control from below, its radicalism and its militancy, it has inspired hope and inspiration. Those characteristics could also contribute constructively to the revitalisation of many old-fashioned and bureaucratic trade unions. If the relationship is handled constructively and correctly, the two movements could reinforce each other and move the struggle to a higher level.

International co-operation and co-ordination of such alliances and movements are important. But in order to co-ordinate across borders, there have to be strong and active social movements at the local and national level to begin with. There is no such thing as an abstract global struggle against neo-liberalism. Social struggles are being globalised as and when local and national movements realise the need for co-operation across borders in order to advance their positions against existing international and well co-ordinated counterforces. Even if a global perspective and international co-ordination is necessary, the primary task is therefore to organise the struggle and build the necessary social alliances at the local level.

In Norway, over the last few years, the Campaign for the Welfare State<sup>9</sup> has been fairly successful in building opposition. The alliance includes trade unions in both the private and public sectors, women's and student organisations, retired people's association, organisations, organisations of users of welfare services, small farmers' organisation, etc. Although it has not yet achieved the status of a nationwide popular movement, this broad-based alliance represents the political, social and organisational infrastructure that is necessary to stop the policy of liberalisation, deregulation and privatisation — and to make another world possible.

## Conclusion

The welfare state is not only a collection of social institutions and public budgets. It was made possible by certain power relations that permeated all parts of society, and included the following features:

- a policy for full employment
- regulated markets and restrained competition
- increased influence of employees and trade unions at the workplace
- poverty eradication and redistribution of wealth
- universal services as opposed to means testing.

The shift in the balance of power between labour and capital over the last 25 years has influenced all of these provisions (increased unemployment, exclusion, poverty, health problems, etc.), and the welfare state is in danger of withering away with its power base.

The following three main pillars comprised the power base of the welfare state:

- the needs of the new capitalist economy, expressed through the social-assistance-state thinking of social-liberal politicians
- the struggle of the labour movement (at the time expressed through its strength in the class compromise), and
- the existence of a competing system in Eastern Europe, which disciplined capital owners in the West.

The last-mentioned of these has broken down. The relatively stable class compromise is breaking down. This means that if the working class and allied forces are to maintain what they have achieved and not fall back to minimal, paternalistic and means-tested benefits of the social-liberal type, they will have to mobilise the social and economic strength that they still represent — in confrontation with offensive capitalist forces.

Since the welfare state was the result of a very specific historical development, it can hardly be copied. Neither can it easily become an export product. Attempts by many labour organisations of the North to export their successful model to their brothers and sisters in developing countries have failed in two important ways.

Firstly, they have underestimated the threats and attacks which their social model is currently facing back home and which, under continued offensive from the neo-liberal forces, lead to the gradual undermining of the welfare state.

Secondly, when social dialogue and tri-partite co-operation are promoted as the way forward, unconnected with any assessment of the actual balance of power between labour and capital, it is not only politically wrong, it is counterproductive and will lead the struggle astray.

The most important lessons to be learnt from the Nordic model are the hard social struggles and the enormous shift in the balance of power between labour and capital that were required in order to achieve the social progress of the welfare state — but

also how fragile the model is, and how unstable and vulnerable the power base of the welfare state has proven to be.

Based on the experiences of the last 25 years, the perspective must now be to go beyond the welfare state — to a socially and democratically organised society where peoples' needs and environmental limits become our guiding principles. The main aim of the labour movement in the North as well as in the South today must therefore be to delimit the power of capital and to make the economy subject to democratic control. This will not be achieved through social dialogue and tri-partite co-operation, but through class struggle and social confrontations. History tells us that power never steps down. It has to be brought down.

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## Endnotes

1. The term, European Social Model, is often used to designate the social welfare states that developed in Western Europe, particularly after World War II and including the increased influence of labour organisations. However, while the Western European countries developed many common features, it is also important to keep in mind that the European Social Model in reality comprised a number of different models that developed within the framework of strong nation-states. They were nationally and not Europe-based, with their own traditions and peculiarities. In Spain and Portugal, even fascism survived until the 1970s. On the other hand, these social models had many similarities with regard to the historical context, global power relations and cultural relationships. In this article I do not dwell on national specificities, but focus on a generalised welfare state model.
2. This is particularly important to notice today, since a large part of the national and international trade union movement is pursuing very narrowly focused campaigns for labour standards, as if these will balance out the adverse effects of market deregulation. The opposite is the case: In order for formal labour standards to be effective, the balance of power must be shifted by limiting the power of capital.
3. There is no direct correlation between high levels of social spending and the quality of the welfare state. For example, the health sector in the USA uses 15 percent of GDP, while the corresponding level of spending in the more advanced Scandinavian welfare states is about 10 percent of GDP.
4. The role of the Soviet Union in this regard should not be interpreted as a quality label for the Soviet social model. It was first and foremost the threat which this model represented, regarding the ownership of the means of production, that was decisive for capital owners in the West.
5. This was, of course, only seldom, halfway and indirectly expressed by leaders of the labour movement. Socialist rhetoric was regularly used, especially during the first years of class co-operation, although more in the trade unions than in the Labour Party, since socialist sentiments were still strong among the grassroots.
6. The author of this article introduced the concept of *brutalisation of work* in Norway some years ago to describe the rapidly increasing exclusion from the labour market under neo-liberalism. Eleven per cent of the Norwegian labour force is currently excluded from the labour market and transferred to disability pension schemes, compared to six per cent 25 years ago. The term is now widely used in public debate.

7. See: [www.ourworldisnotforsale.org](http://www.ourworldisnotforsale.org)

8. The Norwegian Union of Municipal and General Employees has developed the Model Municipality Project which has proven to be quite successful in this regard. It is an alternative to privatisation and marketisation, a bottom-up project based on the knowledge and experience of the workers involved.

9. See [www.velferdsstaten.no/english](http://www.velferdsstaten.no/english)

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