Is the Nordic Experience Relevant for Social Policy in Low Income Countries?
Yes and No

Response to WIDER Annual Lecture by Maarti Ahtisaari, Nobel Peace Laureate and Former President of Finland

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I welcome this exposition of the Nordic experience by Maarti Ahtisaari, and I particularly welcome the detail he brings to the discussion and his emphasis on context and history. This is important because the Nordic experience looms large in discussions of economic and social policy in high and low income countries alike.

In high income countries, “the Nordic experience” is used as an invocation, a mantra, and it usually makes its appearance in the following sequence of claims and counterclaims:

- Inequalities in the US are terrible. Lack of social policy, and unfettered market processes, are to blame. Europe is much better on this front.

- Yes, but look closely at Europe. There is a reason why the term “Eurosclerosis “ was coined, to describe economies like, Italy, France, and 1970s Britain. In Britain, Mrs. Thatcher came and liberated Britain from the grip of the old orthodoxies and state interventions, policies which were continued under New Labour, and the result was two decades of historically high growth.

- Yes, but inequalities in Britain rose, and they continued to rise in the US. The “Anglo-Saxon” orthodoxies seem to purchase economic performance at the cost of rising inequality.

- Yes, but there is a corner of Europe where both active social policy and market economics have flourished. Indeed, in this Nordic corner egalitarianism and economic performance have gone hand in hand, and indeed have supported each other.

- Yes, but is the Nordic model sustainable in the new economic environment of high outward mobility of capital and skilled labor, and high inward mobility of unskilled labor?

- Yes, but, and so on.

In these highly ritualized exchanges the detail of Nordic social policy, how exactly it is implemented, and how various tradeoffs are addressed, is missing. I feel that we need more of this detail and less of the ritual, and President Ahtisaari’s paper does indeed give us the detail that is important.
My focus here, however, is the increasing reference to “the Nordic experience” in discussions of social policy in low income countries. There seem to me to be two reasons for this. First is indeed the excellent outcomes that we see in Nordic countries, set out clearly by President Ahtisaari. Who would not want such outcomes and it is natural to ask whether they can be replicated in low income settings. There is a second reason, and this is that Nordic countries, individually and in concert, are playing increasingly influential roles in international development agencies, not least because they are maintaining their commitment to development assistance in a climate of overall decline. Through trust funds at the World Bank, and through funding of specific UN agencies, they have an increasingly important seat at the table. The relevance of the Nordic experience is thus not just a matter for academic debate; it is the stuff of aid disbursement, aid conditionalities, and all that goes with it.

So, how relevant is the Nordic experience in the social policy discourse in low income countries, other than of course the simple observation that we would all like to have the outcomes that they have? My answer is Yes and No, and the elements of my reasoning are already present in President Ahtisaari’s paper. My answer is No because the state capacity that exists in Nordic countries, and the relative homogeneity of the population along key dimensions, are not to be found in low income countries. But my answer is Yes because, as President Ahtisaari makes clear, it was not so long ago that state capacity in Nordic countries was weak, and crucial heterogeneities had to be overcome in politics and in the design of social policy. Indeed, his argument is that social policy has co-evolved with these features, requiring but also itself being the cause of strengthened state capacity, and also being the vehicle of weaving together a national fabric from what were relative disparate pieces of cloth only a few decades ago. Thus my central points are that (i) we have to very cautious about translation of current mechanisms and the current Nordic model to a low income context, but (ii) low income countries do have a lot to learn from the history of how the Nordics got here from where they were less than a century ago.

If these points are accepted, then I have to say that I do not find very much in the way of detailed discussion of the history of the Nordic experience in the current development discourse, and even less on its significance for low income countries. This is another reason why I welcome President Ahtisaari’s paper—it introduces the issue, and begins the discussion.

Let me first take the issue of heterogeneity. Ethno-linguistic fractionalization is the quotidian reality of politics and policy making in low income countries. President Ahitsaari is of course well aware of this, having won the Nobel Peace Prize for his work in situations where these divides transform into open conflict. On a more mundane level, econometric analyses typically find measures of diversity as significant and negative correlates of economic performance. But before therefore dismissing the Finnish experience, for example, as irrelevant because of the low levels of fractionalization on such measures, we should take on board the fact that less than a century ago there was a vicious civil war in this country, and even now families trace themselves back to whether their ancestors were White or Red in the civil war. In his paper President Ahtisaari highlights this, and points to other disruptions and population movements during and after the second world war which led to cleavages in society. He then begins an account of how the principle of universalism in Finnish social policy provided the bridging social capital that was sorely needed. I would like to see in future work a much more detailed account of
how this was done, what steps were taken, what problems and setbacks were encountered. I feel that such an account and analysis would have great resonance and relevance to low income countries today.

Secondly, state capacity. A major question we face is whether by exhorting low income countries to adopt a range of social policy measures, perhaps even measures of the comprehensiveness of Nordic countries, we are not stretching state capacity to beyond breaking point. Could it be that in taking on an ever expanding social policy agenda low income countries run the risk of trying to do too many things and thus not doing anything well at all? Here again, I think the Nordic experience is relevant—not how things work right now with great state capacity, but how they worked at the start of the Nordic transformation, and how the institutions of state capacity were built up step by step. I would like to emphasize that in my view it is the institutions, mechanisms and norms that are more important than the technology for implementation. The ability of having a unique biometric identifier for every person in the country is good, and there are things you can do with such an ability which you cannot do without, but what is important is precisely what you do with the technology not the technology per se. Here again, I welcome the historical perspective provided by President Ahtisaari, and I look forward in future work to a much more detailed account of how Nordic state capacity came to be what it is today. We can then draw lessons for low income countries of today from such historical analysis.

To conclude, let me repeat my answers to the question, “Is the Nordic Experience with Social Policy Relevant for Low Income Countries?” The answer is No in the sense that we have to be extremely cautious in translating current mechanisms to settings which have far greater heterogeneity and far lesser state capacity. The answer is Yes, in that the history of how Nordic countries overcame their heterogeneities and developed state capacity from scratch is indeed highly relevant to the low income countries of today. I am grateful to President Ahtisaari for setting us on the right track in answering these central issues for social policy in low income countries.