

---

## **Book Review**

---

Reviewed by Hans Kåre Flø

E-mail: [hans.kare.flo@tekna.no](mailto:hans.kare.flo@tekna.no)

**Nordic Capitalisms and Globalisation: New Forms of Economic Organisation and Welfare Institutions**

by: Peer Hull Kristensen and Kari Lilja (Eds.)

Published 27 January 2011

Oxford University Press, Hardback, USA, 328p, £ 55

ISBN-13: 978-0-19-959453-5, ISBN-10: 0199594538

In the early 1990s, the Nordic countries were considered to be in a serious situation. The costs of welfare states, generous unemployment benefits, high taxation rates, strong unions, and centralised wage bargaining were thought to be undermining their competitiveness in an age of rapid globalisation. By 2005, however, they all ranked at the top of a number of performance indexes on economic competitiveness and sustainability. Citizens in the Nordic countries continue to participate in and benefit from globalisation on a much wider scale than in any other similarly highly developed country, and these countries increasingly provide templates within the EU for imitation and social innovation.

This was the background for the project Transnational Learning through Local Experimenting (Translearn). The project started in 2006 and was finished in 2009 and this book builds on the results of the project. The aim of the book is to discuss the apparent paradox of the Nordic models, trying to extract new insight as to what the mechanisms behind the extraordinary economic achievements actually are and what we can learn from them.

In the preface, Kristensen and Lilja give reference to the two dominating schools of thought for describing capitalism in Western welfare states through the 20th century. The use of the term capitalism in the book does not reflect any political preference, just an acknowledgement of capitalism as being the totally dominating system for organising production (value creation) in Western countries and, after the fall of the iron curtain and the process of Chinese economic reforms, the globally dominating system.

On the one hand, there are those who see capitalism as formed primarily by market forces working after an eternal script. In case of dysfunctions in the markets, these are assumed to be caused by regulations and social arrangements that prevent market forces from doing their invisible job – forcing agents to make rational choices. On the other hand, there are those who stick to the intellectual tradition of political economy and see capitalism unfolding as a set of divergent politico-historical forms. In this perspective, economic processes are embedded in institutions that form, modify or substantiate economic process and its inherent contradictions.

Until the 2008 financial crisis, groupings in the first neo-liberal camp spoke within the spirit of liberalising markets. They saw the growing role of unregulated financial

markets as the core movement for developing a better global society. In such a context, markets would civilise politicians and states as well as managing directors to act according to the new code of rationality that they had named the Washington Consensus. This created a dominating conceptualisation from the 1980s and onwards, challenging institutional features from the 1930s, invented to protect capitalism from itself, covering such social innovations as corporate planning, the New Deal in the USA, and the welfare states in Northern Europe. Under this regime the Anglo-Saxon world, leading the ideological transformation, gained a novel self-confidence and declared its superiority, in particular with respect to the Nordic welfare states. Under the new conditions, the latter form of political economy would suffer from an overly large public sector and from too high taxes, both endangering its survival. Under the new regime, international organisations were redesigned to monitor and 'help' nations transform towards the new ideals. The World Bank, OECD, EU, and many others created sophisticatedly benchmarks for ranking nations according to their progress according to novel, post Keynesian standards.

Paradoxically, according to the authors, it were these measures that made it possible for the Nordic countries to surprise observers. Despite high taxes, high unionisation rates and egalitarian income distribution they demonstrated from the mid-1990s to 2008 that it was possible to improve competitiveness, secure macroeconomic balances, lower unemployment, and engage a high proportion of women, youngsters and senior people in economic activity, while state institutions played a large role in the economy.

The conviction of Kristensen and Lilja, derived from many years of previous research, is that not only adoption of grand political schemes, but that institutions, and institutional experimentation, play a significant role in economic development and that it is a distinct match between the experimental search for improved institutions in a society and the ongoing transformations of the international economy that may explain how distinct societies, at given moments, may create benchmarking performances that can inspire other countries to institutional search and experimentation.

In the first chapter, 'The co-evolution of experimentalist business systems and enabling welfare states', Peer Hull Kristensen gives a description of the situation of the Nordic countries and important changes that have taken place in the period 1995–2008. He describes a picture where the transition from a Keynesian to a so-called enabling welfare state along with the emergence of new forms of learning organisations has supported a successful adoption to the new globalised knowledge economy resulting in remarkable economic stability and growth in welfare.

According to Kristensen, the enabling welfare state focuses on how to develop the workforce in order to obtain skills that secure continued access to the labour market. It implies transforming institutions in such a way as to contribute to risk sharing between families and government, thus enabling families to enter experimentalist learning organisations on a broader scale than in other countries. Universal welfare programmes, egalitarian income distributions, active labour market policies, strong unions with a high level of unionisation and local autonomy appear to have stimulated rather than having counteracted the process.

An important observation is that the Nordic countries share with Austria and the Netherlands a preponderance of so-called 'learning organisations'. Such high-performance work organisations striving for continuous learning become part of an experimental landscape at the same time making it less than easy for management to coordinate and control activities. Statistics show that in the Nordic countries between

48% and 60% of the workforce have jobs that require individual creative problem solving based on own ideas, whereas the corresponding number for the UK is 35% and for Mediterranean countries less than 30%. Central European countries apart from the Austria and the Netherlands place themselves between 35% and 45%. (Numbers from Lundvall, *innovation and competence building in the learning economy*, see 'references for further reading').

According to Kristensen, existing measures of economic performance do not address the more structural and recently emerging characteristics of the new economy and that these characteristics are poorly recognised by general economic theory and abstracted concepts of markets and firms.

Interesting observations are that the forms of institutions and the development paths vary substantially between the Nordic countries and that many of the positive effects on productivity and value creation were actually unintended in that important reforms had other explicit aims. Thus, productivity and welfare gains have to a large extent just evolved more than they have been the result of a conscious policy.

Chapters 2 to 5 present case studies of local actors in global companies and institutional arenas from Finland, Denmark, Norway and Sweden. In these chapters, it is described how such actors could strategise and build new competences with the help of their institutional heritage and social capital and how the new competences were turned into a competitive advantage both within multinational companies, and in relation to global competitors.

In the last chapter of the book, 'Developing comprehensive, enabling welfare states for offensive experimentalist business practices', Peer Hull Kristensen conclude that none of the Nordic countries have so far developed a political understanding embedded in a new system of policy development. So, at the policy level one is still in search of the keys to installing a new paradigm of policy making adjusted to the globalised learning economy. There are still, of course, risks to the future of the Nordic welfare states, some of which have arisen from the financial crisis, but at the same time there are important individual and collective skills and constructive experimentalist processes pointing towards a positive development.

However, while the new forms of business practices and institutional reforms have emerged in a mostly, at least politically, unintended way, it may, according to Kristensen, not be cultivated, elaborated, and matured, without a shift in political orientation, new visions of its path, and creative ways of learning how to govern it. Compared to this need, Kristensen expresses his frustration from observing how central state agents according to him have become encapsulated by the vision of the neoliberal turn. Reforms of the welfare state are still discussed in terms of creating an increased market and competition within the public sector. Making the public sector better equipped to subcontract activities to the private, and through mostly new public management principles install bureaucratic principal-agent forms of governance that lead to standardisation or mainstreaming. Even with respect to achieving a more innovative public sector, such visions for governance are predominant.

Obviously the Nordic countries, first and foremost, lack the systems that recognise and appreciate what is going on in terms of decentralised learning and innovation. Only by creating such systems will it be possible for localities, firms, and employee groups to learn from each other, to search for better and more competitive ways of combining processes within private firms and surrounding public institutions, to benchmark them

against each other, and to choose temporary templates for solving more general problems in the continuous struggle for constantly redefining roles in the larger global system.

The Nordic countries have performed so effectively that today they stand – for better or worse – at the frontier of social and economic development. In many ways, according to Kristensen, they must learn from themselves and each other what to do next. In this light, their experimentalist steps are too serious to be collectively neglected as private experience and tacit knowledge. Individually and combined they constitute important experimental laboratories, but they need to create governance systems that make it possible to learn from experiments and make these lessons imitable for other practitioners.

This book is not focused on sustainability in any other sense than the economic one. But it gives evidence of an ongoing transformation in the economy, unlocking creativity and giving rise to unexpected and unprecedented boosts of performance regarding productivity and competitiveness. Yet, for me this is of great importance to the vision and task of the green economy.

As the Nordic countries in some aspects were considered to be in a serious situation with an uncertain future in the early 1990s, one can say that the world, on a much larger scale, is in a serious situation today and indeed has been so for several decades or even longer. We are confronting the ecological limits of the planet and negative predictions are at hand, to put it mildly.

Challenges to be met by the global society are immense and innovative capacity and new forms of governance will be needed. In the Nordic countries, it turned out that deeper transformative processes were building up in the 1990s, surfacing only a decade later, changing important rules of the game and defying negative predictions. I do not by this mean to imply that environmental dangers are exaggerated and that we can relax and await not yet identified transformative processes to come to our rescue. But I do mean that, if interested in greening the society, one should look for such signs of deeper transformative processes and mechanisms because these may possess some of the power, not yet fully seen or understood, to fuel the transition to a green society. Aligning with such trends, if present, may be a winning strategy.

Many authors of the past few decades have postulated that the world is entering a new paradigmatic shift of the same significance as the industrial revolution. If true, we have not yet seen the full potential of this shift when it comes to overcoming present challenges of the global society. Therefore, this book is of special interest as it offers a glimpse of transformative forces and processes in the making in the Nordic countries as global laboratories which have received increased international interest lately. The analysis of the book is very inspiring even though we will have to wait for definitive scientific answers to many of the questions raised.

#### *The contributors to the book*

- Dr. Peer Hull Kristensen is a Professor of the Sociology of Firms and Work Organization at the International Center for Business and Politics, Copenhagen Business School, Denmark, where he is currently co-leading a World Class Initiative on Institutional Competitiveness.

- Dr. Kari Lilja is a Professor in Organization and Management at Aalto University School of Economics in Helsinki, Finland. He has been among the pioneers in setting up the research tradition of national business systems since the late 1980s.
- Dr. Juha Laurila is a Professor of Management and Organization at the Turku School of Economics, University of Turku, Finland.
- Dr. Maja Lotz is currently a Postdoctoral Fellow at the International Center for Business and Politics, Copenhagen Business School, Denmark.
- Dr. Raimo Lovio is a Professor of Innovation and Environmental Management in Organization and Management at Aalto University School of Economics, Finland.
- Dr. Eli Moen is a Research Professor at the Norwegian School of Management.
- Dr. Christer Peterson is a Professor in Business Administration at Umeå School of Business, Umeå University, Sweden.
- Dr. Robson Sø Rocha is an Associate Professor at Aarhus school of Business and Social Science, Aarhus University, Denmark.

#### *References for further reading*

For readers in search of a broader picture of the present postulated paradigmatic shift I recommend reading some classic works of reference like Alvin Toffler's three books on the knowledge society *Future Shock*, *The Third Wave* and *Power Shift*, Rolf Jensen's description of *The Dream Society* and Thomas Kuhn's original study on and definition of paradigmatic shifts in *The Structure of Scientific Revolutions*. A good supplement to this will be *Technological Revolutions and Financial Capital* by Carlota Perez, the present leading expert on techno-economic paradigms and their influence on society and *The Fifth Discipline* by Peter Senge presenting important ideas about learning organisations. Important concepts of the learning economy have been formulated by Bengt-Åke Lundvall in different books and articles and Charles Sabel has been a pioneer in formulating concepts of experimentalist governance. The books and articles in the list below are standard works by the authors. Many other books and articles are available from many of them.

Alvin Toffler. *Future Shock*. Bantam Books 1970. ISBN 0-553-27737-5.

Alvin Toffler. *The Third Wave*. Bantam Books 1980. ISBN 0-553-24698-4.

Alvin Toffler. *Power Shift: Knowledge, Wealth, and Violence at the Edge of the 21st Century*. Bantam Books 1990. ISBN 0-553-29215-3.

Rolf Jensen. *The Dream Society: How the Coming Shift from Information to Imagination Will Transform Your Business*. McGraw-Hill 1999. ISBN 0-07-137968-1.

Thomas Kuhn. *The Structure of Scientific Revolutions*. The University of Chicago Press 1962. ISBN 0-226-45807-5.

Carlota Perez. *Technological Revolutions and Financial Capital: The Dynamics of Bubbles and Golden Ages*. Edward Elgar Publishing 2002. ISBN 1-84376-331-1.

Peter Senge. *The Fifth Discipline: The Art & Practice of The Learning Organization*. Doubleday 1992. ISBN 0-7126-5687-1.

Daniele Archibugi and Bengt Åke Lundvall (Eds.). *The Globalizing Learning Economy*. Oxford University Press 2001. ISBN 0-19-924109-0. See especially the preface 'Europe and the Learning Economy' by Bengt-Åke Lundvall and Daniele Archibugi and Bengt-Åke Lundvalls article 'Innovation Policy in the Globalizing Learning Economy'.

Bengt-Åke Lundvall. *Innovation and Competence Building in the Learning Economy: Implications for Innovation Policy*. Report to Kunnskapsdugnaden (The Norwegian Knowledge Economy Initiative) 2008. To be downloaded from <http://www.kunnskapsdugnad.no>, under the fan 'Prosjekter og rapporter'.

Charles F. Sabel. *Learning by Monitoring: The Institutions of Economic Development*. Article in: Neil J. Smelser and Richard Swedberg (Eds.): *The Handbook of Economic Sociology*. Princeton University Press 1994. ISBN 978-0-691-12126-0.

Charles F. Sabel and William Zeitlin (Eds.) *Experimentalist Governance in the European Union: Towards a New Architecture*. Oxford University Press 2010. ISBN 978-0-19-957249-6.