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Norsk økonomisk politikk etter 1905 [Norwegian economic policy after 1905], by Einar Lie, Oslo, Universitetsforlaget, 2012, 213 pp, NOK 299 (paperback), ISBN 978-82-15-01810-2.

The author employs the metaphor of a pendulum to describe paradigmatic change. Following regulation under absolutism, a laissez faire approach dominated the nineteenth century. A movement back in the opposite direction accelerated by the start of the twentieth century. The Norwegian government secured public ownership of strategic resources, while concessions gave access for private capital and entrepreneurial initiative during the process of industrialisation.

The interwar years justified even tighter regulation to counteract the economic downswing and render assistance to vulnerable groups. Gifted people devised reform schemes to salvage the economy from depression and promote solidarity. They had to content themselves with pragmatic solutions, but the Golden Age that came next provided the latitude required for extensive, norm-based regulation of the economy. Norway became in some ways an outlier case of coordinated welfare capitalism. Eventually though, the pendulum went into reverse. For instance, Norway has adapted its financial institutions to more common, liberal standards.

Before that, the Conservatives coined the term "Credit Socialism" for the policy that supported people with moderate or low incomes in acquiring dwellings of their own. Financial institutions were routinely coerced into providing low-interest loans and mortgages. If their managers mentioned market forces, politicians and leading officials lectured them about democratic responsibility. The head of the Treasury Department allegedly said at a joint meeting in 1966: "The market is gathered around this very table".

This is one example of how the author conveys a lively impression of those elements that make up Norway's remarkable profile. A basic tool was control over the natural resources and primary sector that provided the foundation of national wealth, in later years notably the vast offshore oil and gas deposits. The means included public ownership of big business, often by the state's possession of equity rather than sovereign ownership. Another aspect of state capitalism was the determination to preserve and stimulate economic development in all regions and across sectors; agriculture for instance, was heavily subsidised. One effect was relatively even incomes at different productivity levels. To some extent, economic efficiency may have suffered; nevertheless, the strategy was a success in so far as the shape of modern Norway is its indubitable result.

The history of the Norwegian Labour Party included a prolonged period of radicalism in the 1920s, suggesting a centre of gravity among industrial workers. This feature dovetails neatly with the willingness to engage in the running of major enterprises once radicalism had faded away and governmental responsibility taken over. At the same time, however, the

Labour Party was committed to supporting the smallest among firms because workers in the many rural and seaside villages depended on them for their livelihood and, personally and in terms of lifestyle, were closely connected with their owners. These became, for the same reason, part of the social basis of the labour movement.

When in the 1970s and 1980s the governance of state-owned Statoil was discussed, the Conservatives preferred to establish tight political control in an attempt to secure some space of manoeuvring for privately owned corporations, whereas the Social Democrats advised against this precaution. What an outsider to the conflict would perhaps intuitively have associated with left-leaning *dirigisme*, was in fact the opposite!

Running at just 200 pages, the book is nevertheless broad in its scope. Rather than technocratic deliberations and ideological arguments in the control centres of economic policy, the reader acquires a many-sided picture of the political economy of Norway. The low priority given to specific episodes in policy-making is rooted in the prevailing relative consensus. When the dominance of the Labour Party was finally challenged for real – in 1965 when Per Borten became prime minister in a centre-right coalition – there was no radical reversal of policy. On the same note, Gro Harlem Brundtland of Labour, prime minister 1986–1989 and 1990–1996, did not shrink back from a reorientation of policy according to views mostly defended by opponents of the Labour Party. Whereas the centre-right was not too keen on offending swing-voters when in government, Labour tended to extend greater promises when they were in opposition than they were ready to fulfil when reinstated in ministerial office. Further speculation along these lines might have been of interest: Was policy stable and uniform because of the (exogenous) circumstances of Norway's well-defined place in the larger world, or because governance was rooted in certain (endogenous) norms and ideals upheld by popular consensus?

Without exaggerating the presentist aspect, the book contributes adequately to putting some problems of our own age into perspective. Are professional economists, if they are clever enough, able to remedy society's ills? The author points out that grand strategies for resolving the crisis of the nineteen thirties amounted to little in real terms. A policy of balanced budgets – austerity in present-day discourse – was necessary even if demand stimulus in itself might have been desirable and was called for by would-be reformers. Awareness of this fact may be relevant in current policy debates. It is a commendable feature of the exposé that it invites the reader to reflect.

For many, the Second World War, especially the German occupation, is still a quite sensitive subject. The author shows courage when he not only mentions “the formative power of the war economy”, but directly explains that German *Großraum* investment in power plants, metallurgical plants and infrastructure produced real assets for the post-war economy. The notion of structural continuity and relative normalcy under abnormal conditions can be provocative. There is, however, little doubt that this angle of approach is relevant and meaningful and is now coming to the forefront in comparative and transnational exploration of what happened to European societies 1939–1945 and in the aftermath of the war.

The author cannot ignore the fact that Norway today is a really well-off country indeed, thanks to both its successful economic and social development in the long term and, more recently, its enormous financial reserves, based on oil and gas provided by nature, but realised through clever management carried out according to long ingrained ways of handling the national economy. But he also discusses problems that exist even in the midst of prosperity and safety.

A salient feature of the political economy of Norway is the working of the labour market, with strong unionisation, tripartite negotiations or consultations, a general wage level determined by those sectors that are exposed to foreign competition and, on this basis, a solidaristic wage policy, further supplemented with subsidies for small communities.

For decades, the welfare state has been part and parcel of this model, yet at the same time a source of systemic malfunction. Easy access to sick-pay facilitates absenteeism. An extension of the same problem is the number of people receiving permanent benefits on account of disability, not always based on dire necessity, alas. On the positive side, we learn that the elevated wage level is crowding out low value-added jobs. The labour market has been sanitised for laggards, presumably by means including New Public Management, a concept that is not discussed, though.

The author suggests a dichotomy between active workers receiving high wages in exchange for intensive, high-level performance and those excluded from the labour market, but compensated by transfer income. The scenario may be real, but economic theory still leaves space for a segment whose members choose their position on either of the two poles according to a marginal consideration: If transfer income is too small, I take a job, but put little effort in it. If the demanded work effort is too high, I opt out and settle with the transfer income. The probability of this alternative being real is augmented by the fact that the unemployment rate is low in spite of the current international crisis.

Reports in the Danish press in connection with the recent election campaign in Norway testify on an anecdotal basis to the pertinence of this issue. Some individuals are not satisfied with what the state provides for them, others are fed up with seeing resources going to waste. Even if complaints and misgivings are unfounded, they indicate that some people find it difficult to achieve satisfaction within a society so rich that necessity and obligation has been taken out of the equation. Admittedly, this observation has a moralistic ring – but for this very reason it is akin to norms that inform Norwegian political economy.

The discussion could be taken further. Is the Norwegian population too small and geographically wide-spread to provide an adequate supply of labour for a market with an elevated, choosy demand side? If so, can immigration provide a solution? If it can, will it be necessary to reduce welfare entitlements in order to make the increased supply of labour effective? Would a majority of voters accept this, with public coffers being loaded? Some tough economic policy decisions may be in store in spite of the fact that the Norwegian economy is solid as a rock.

The very idea of an historical account of economic policy, covering an extended period, is laudable. Previous examples are few. The tendency for

historiography is to approach the subject piecemeal, as a contingent element unable to support a self-contained narrative, stretching across, say, the twentieth century. The period is usually carved up according to shifting systemic regimes. These customary lines of separation are sensible enough and duly acknowledged by the author of the present book. However, the account deserves credit for identifying continuities and transitions between the periods. The result is a coherent, accessible and convincing representation of the relation between on the one hand political decisions and state agency, and on the other hand the broader social and economic development of Norway in the twentieth century. It is a pleasure to observe that Old Institutionalism – duly updated – focused on major themes of undoubted importance in economic history is still alive and kicking.

Jan Pedersen

History Department, University of Copenhagen, Karen Blixens Vej 4, DK-2300, Copenhagen, Denmark

janpe@hum.ku.dk