

Norway and the global economic crisis – some reflections

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I.

There is a joke about Marxist economists, that they in fact accurately predicted ten of the last three major crises. Although there is some truth to excessive «crisis-proneness» in left-wing approaches to developments in the capitalist economy, it would not be exaggerated to say that those who have offered reasonable warnings and pointed out structural problems bound to lead to a crisis, often have belonged to the left in a broad sense.

This, however, has not automatically translated into utilised opportunities for a progressive push forward in economic policy. The left has not been able to set the agenda for an hegemonic understanding of the crisis, and even less so for the measures to be taken in the future. This is true for most parts of the industrialised world, and it is true for Norway as well.

To some extent, the Norwegian debate has also been affected by the fact that Norway probably is *the* country in Europe that has gone through the crisis seemingly with the smallest problems, given the circumstances.

Unemployment is up, but only to 3,3 percent, a very low figure in comparison with all other European countries. (Unemployment went up slowly from 2,5% to 4,5% in the years 1999-2006, but declined rapidly in 2007 and 2008 with a booming labour market).

Like many other countries, Norway did experience GDP contraction in 2009, but only about 1,5 percent, with growth recovery already by mid 2009. This can be compared with neighbouring Sweden, where GDP fell almost 5 percent in 2009, the worst performance since WWII.

Basically, as Norway is embedded in the global financial economy, the same economic forces, including plunging prices in financial assets markets and dramatically higher risk premiums, affect Norway too. But Norway has been exceptional in policy terms in several respects. Most importantly, there was a raise in public consumption the last two years, by 4,1 and 5,2 percent respectively. The public sector has been able to maintain its levels of employment, and has actually grown quite substantially over the last few years in absolute numbers, although one could and should argue that the actual needs are greater than that. So some of Norway's successful handling of the crisis can be attributed to discretionary finance politics (facilitated by, but not exclusively dependant on a large sovereign wealth fund, i.e. oil income savings), while some of it is a result of quite robust pre-crisis economic performance and structures (importantly, a large and relatively well-functioning public sector).

As the domestic repercussions of the crisis are notably milder in Norway, the effects on the political debate focus have also been different than countries fighting massive unemployment and collapsing housing markets.

In terms of discussions and analyses, the left has been active, offering explanations with differing emphases dependent on political orientation.

Crudely speaking, those closer to the Government apparatus and thus decisions made by it have been more eager to point out excesses in the neoliberal doctrines; the lack of financial

regulations, the pervasiveness of the idea that markets are always right and that greed is good, the aggressive approaches to privatisation.

Those farther away from state policy making, have rather tended to emphasise more fundamental roots of the crisis, i.e. is the inherent logic of the capitalist system and its mode of accumulation.

Both approaches, I would say, are necessary. The crisis remains inexplicable without a systemic understanding of the capitalist system and its inherent tendency to generate financial bubbles and crises. At the same time, many of the specific features of this particular crisis are connected to neo-liberalism as an historic political and economic project; predatory privatisation, excessive private consumption, new hyper-fast ways to manage financial capital, the specific role of the USA in the global economy...

Politically speaking, however, all shades of the left have failed to offer the general public credible solutions. Notably, the far left, while reiterating that this is a crisis of the capitalist system, lacks the power, legitimacy and concreteness, to forward solutions which are somewhere in between the daily parliamentary suggestions and revolutionary alternations of capitalism.

That is, perhaps, the rather sad story of European left more generally.

II.

What about the realm of party politics then? Norway is governed by a red-green, centre-left, coalition of Social democrats, Socialist Left Party (SV) and the Centre Party (centrist agrarian).

This coalition was formed before the 2005 general elections, on the basis of quite substantial mobilisation in social movements, most importantly the trade unions. This was the first time Social democrats entered an election campaign with the intention to form a coalition government. Its conception must be understood as a reaction to the devastating failure of new-labourite Social democracy. In 2001, the minority government of Jens Stoltenberg suffered a dramatic defeat, with the party reaching only 24,3 percent, and a centre-right government taking over. After the defeat, radical elements in the Social democratic party managed to strengthen their positions, and the red-green alliance took form as a result of outside pressure and grass root organising. Organic ties between left wing social democrats, people in the Socialist left party and the Centre party, and far left progressives, go back to the struggle against Norwegian EU membership – the technocratic, «blairite» top layers of Social democracy on the contrary passionately advocated membership, alongside most other parts of the Norwegian political and economic elite.

In 2005, Jens Stoltenberg had the support of a movement with a positive political project, and practiced a much more left-leaning rhetoric. This proved successful for the Social democrats, securing them 32,7 percent in the general elections, and enabling the formation of a red-green majority government.

This is not the proper place to evaluate the red-green government project of 2005-2009. But the red-green coalition managed to win a narrow majority in 2009 as well, after a long period of bad performance in the opinion polls. Three factors contributed. First, the centre-right was split over the role of the largest opposition party, right-wing populist Fremskrittspartiet («Progress Party»). Second, the handling of the economic crisis strengthened the prime minister and his government. Third, and connected to the first two points, Stoltenberg managed to re-create a progressive election-time rhetoric, focusing on governability, stability and collective welfare.

The Social democrats managed to get 35,4 percent of the votes. For the Socialist Left party (SV), however, the election results were a disappointment again. The party finds itself in a squeeze, not being able to deliver on its more radical demands, at least beyond symbolic gains. In the 2001 elections, SV reached 12,5 percent. In 2005, their support fell to 8,8 percent and the four years in government pushed the party's election results down to 6,2 percent. The far left party Rødt did not manage to make use of the crisis to reach any parliamentary seats in the 2009 elections either. (This party, of 1970-ies Maoist origin, only once had one parliamentarian, in the period 1993–1997.)

III.

Immediately after the elections, the Social democratic leadership signalled a new turn in government policies. Leading «Third way» Social democrats have been brought back into government posts, and from day one, a new project has been outlined: constrain public expenditure. This is presented as an absolute and inevitable long-term necessity; despite the fact that private consumption is projected to grow at twice the rate of public consumption, indicating that there is a fundamental policy choice being made here.

The government has also indicated the need to revise some major parts of the welfare system, mainly sick leave and disability pensions.

Generally, we see a re-emergence of a right-leaning economic agenda. This is well in line with the post-crisis political situation all over Europe. Social struggles will ensue over the distribution of the costs of financial meltdown and subsequent effects on the real economy.

How have the left parties in Norway responded to this new turn? Poorly, I would say. Economic policy has not been dominating public debate. It is quite characteristic, that the most vivid discussions on policy reorientation within SV and the Social democratic party, have circled around symbolic «integration» issues such as ban on «burqa» in public, use of (Muslim) headscarf in schools, etc. The idea that the left should «regain» the initiative in «value-based» integration issues from the populist right, has been on the move forward within the left. The point here is not to discuss the concrete positions of the left regarding secularism, multiculturalism, islamophobia, etc. The main problem is that the left thus evades the scene on fundamental class-based issues, and thereby underplays its opportunities to contribute to economic transformation, or to mobilise along class lines in general.

This is arguably one of the major topical problems of the left in most European countries, and ought to attract more general attention in strategic and comparative analyses.

By deactivating the class-based economic axis in political struggles, «Third Way» social democracy in particular, but also the left more broadly, has its share of responsibility in giving more weight to other conflict axes. When the possibility to change economic distribution or the capital-labour power balance by changing government has diminished as centre-left and centre-right governments have converged in their economic policies, right wing populism has been given open playing field. This is a situation where right wing populist, often relying on a xenophobic agenda, can thrive. But in many European countries, the traditional conservatives have also been successful in picking up the populist rhetoric, avoiding the discredited neo-liberal stance, yet sticking to the same basic economic policies.

The xenophobic and neoliberal Norwegian «Progress party» is one of the most successful examples of this trend. It has managed to build up a position as the largest opposition party. Although it has not managed to grasp government power, it has steadily grown in terms of membership and electoral support and transformed the Norwegian political scene. Although its programmatic economic policies are clearly neo-liberal or market fundamentalist, the party is utterly pragmatic, mostly avoiding to get stuck with an unpopular neo-liberal burden and portraying itself as an anti-elitist party for «ordinary people». Most probably, the crisis did

have an adverse effect on the party's electoral success, but with in the new political situation after the 2009 elections, the right wing, i.e. both the Progress party and the traditional conservatives, have been doing well in the opinion polls, while the red-green government's popularity is dwindling.

IV.

«How do you think neo-liberal hegemony has been affected,» the questionnaire asks. I think it is fair to say that the ideological attraction wielded by neo-liberalism – and it never was a very popular concept in the first place – has diminished substantially. The quasi-religious belief that markets are always right, cannot be used at face value in public discourse. However, market fundamentalism as «default approach» to economic problems is still valid or rather implicitly institutionalised.

This holds for Norway too. Market solutions are «default mode» in substantial fields of economic policy. Rather than being used for major public investments, the Norwegian pension funds feed global financial markets with risk capital. As mentioned above, the red-green government has as of yet been unwilling to prioritise a structural raise in public spending, and sticks to its 2005 position not to raise taxes. And the government has also opened up discussions about introducing restrictions in various welfare systems.

The systemic fight over neo-liberalism's legacy has not been waged. If there ever was a window of opportunity for the left in that respect, it has not been materialised into real transformation.

However, the full picture is not as gloomy as this might indicate. Important defensive struggles are taking place, as for example the sick-leave benefits have been under pressure.

These defensive fights are pivotal. All over Europe, the bills for the financial crisis are due. And the systemic default mode is to point towards cuts in public finances (which are not directed to banks), intensified exploitation of labour (helped by «reform» of labour markets, more precarious and unstable work arrangements) and state-organised transfer of public money into private surpluses (e.g. by opening up more of health care, elderly care, education to private «entrepreneurs»).

Trade union mobilisation is essential. Norwegian trade unions have in fact gained membership in the last few years, a trend opposite to that in many other European countries.

The future will tell whether a progressive project can be formed and gain mobilising momentum. Such a project must be rooted in concrete struggles. Therefore, the fight to defer attacks on the Norwegian social welfare model, is a useful starting point. The Left must, however, also formulate a new, progressive agenda for change that will help bring the working-class based Left forces on the offensive once more. Regrettably, none of the Norwegian Left parties seem up to the task – or even much interested – as of now.

In this situation, the political independence of trade unions is paramount. The urgent task of policy and strategy formulation cannot be left to the political elites which dominate the parliamentary parties of today. Therefore, Norway's strong trade union movement, along with other NGOs and also so-called think-tanks, has to challenge the political parties' de facto monopoly on formulating comprehensive policies and strategies for the wider movement. Not to replace party politics on the Left, but to revitalise it before it's too late.