

TIMBRO

The Burden of Power

WHAT DENMARK AND FINLAND CAN TEACH
SWEDEN ABOUT LEFT-WING POPULISM

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“We are preparing to have power. We are not afraid to rule.”
Jonas Sjöstedt in Swedish newspaper SvD 23rd of March 2014

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Ruling from the left is never easy. It's so hard, in fact, that many progressive politicians think it's impossible—that's one reason they tack to the center. In this club, you'll find Bill Clinton, Hillary Clinton, Tony Blair, Barack Obama, and Andrew Cuomo. During the Clinton and Blair Administrations, I received practically identical briefings from senior officials on both sides of the Atlantic. The days of left-wing populism are over, I was told. Remember what happened to François Mitterrand and Gerhard Schröder, two European Socialists who were forced to reverse course. If you want to get anything done, you have to look responsible, reassure independents that you're no dangerous radical, and cozy up to business and financial interests.

John Cassidy in his blog at The New Yorker, 31st of March 2014
(*The Education of Bill de Blasio*).

The Left and the power “after the welfare state”

Of all the “centre-left” think tanks in the world, the British Policy Network is the primary one to seriously analyse the future of social democracy in Europe “after the welfare state”, i.e. in the encounter between a globalized economy on one hand, and populism (right- and left-wing) on the other.

In one of the discussions that I had while collecting material for this report about the “burden of power”, a young Social Democrat said to me: “We are looking for solutions. The left-wing populists are looking for problems.”

I think that this is a good summary of the challenge that not only social democracy faces today, but indeed every politician who is looking for solutions—even though they may seem less appealing to voters in the short-term perspective.

From a Swedish perspective, this of course concerns the small red-green parties—primarily Vänsterpartiet (the Left Party)—who have looked for problems and found them, but rarely have any real solutions.

To share government with left-wing populists is demanding and often destructive, which we can see in the following Danish and Finnish examples.

On the other hand, governmental power implies that the left-wing populist rhetoric is scrutinised, undressed and in many cases exposed as devoid of substance. In fact, the burden of power can be devastating to these kinds of parties. Of course, the same risk applies to another kind of populism. It is worth noting that one of the perhaps most successful Nordic right-wing populist parties, Dansk Folkeparti (the Danish People’s Party), consistently has chosen to remain outside the government.

Now over to Denmark and Finland, where left-wing populist government parties have defected from government during the first months of the year.

Experiences from Denmark

After the Danish Folketing election on the 15th of September 2011, the governing party Venstre (the Liberal Party of Denmark) remained the single largest party in the Folketing, at the same time as Socialdemokraterne (the Social Democrats) lost one seat.

The day after the election, former Prime Minister Lars Løkke Rasmussen (Venstre) handed in his government's resignation request to Queen Margrethe. The Queen then gave the social democratic party leader Helle Thorning-Schmidt the task of forming a government.

The Thorning-Schmidt government took office on the 3rd of October 2011. It was a coalition government consisting of Socialdemokraterne (the Social Democrats), Radikale Venstre (the Danish Social Liberal Party) and Socialistisk Folkeparti (SF) (the Socialist People's Party), who together formed a minority government with the support of Enhedslisten (the Red-Green Alliance). The latter is a left-wing populist party created from a number of different parties and organisations on the far left.

This government was historic in two different ways: it was led by Denmark's first female Prime Minister, and it was the first time that Socialistisk Folkeparti (the Socialist People's Party), founded in 1959, was in office.

In 1967, SF nearly became a part of a social democratic government, but the party split up. This resulted in a new election and a centre-right government.

From the beginning, the Thorning-Schmidt government was described very fittingly as a three-party government in which the constituent parties didn't agree on anything. Tales of the internal government work that have emerged over time have revealed fierce power struggles.

On the 16th of October 2012, Thorning-Schmidt made a cabinet reshuffle at the request of the new party leader for Socialistisk Folkeparti, Annette Vilhelmsen. Two SF-ministers had to leave the government and two new SF-ministers took office (including Vilhelmsen).

On the 12th of December 2013, Foreign Minister Villy Søvndal—former party leader for SF—left his position for health reasons.

On the 30th of January 2014, Socialistisk Folkeparti and its party leader Annette Vilhelmsen announced that the party would leave the government coalition following a conflict between parts of the party and the rest of the government. The conflict that triggered the government crisis concerned the sale of shares in state energy company DONG Energy to the investment bank Goldman Sachs.

Goldman Sachs bought 18 percent of DONG for 8 billion Danish kroner (1 072 320 000 Euro). It wasn't a popular decision – opinion polls revealed that a majority of the respondents were against the deal. As for how to manage the ailing company there weren't any real al-

ternatives, although a few voices were raised in favour of further government capital injections, which probably was the worst imaginable option.

Finance Minister Bjarne Corydon was pleased that the rescue mission had been carried out. DONG is one of the largest companies in the country and the investment by Goldman Sachs made future investments possible. According to the Finance Minister, the alternative would have been continued cutbacks.

Goldman Sachs completed the deal together with two of Denmark's biggest pension funds, ATP and PFA, which came to own 4.9 and 1.8 percent of DONG. At the same time, SF party leader Annette Vilhelmsen announced her resignation as party leader.

Today, the social democratic party is more threatened by Enhedslisten on the left and Dansk Folkeparti on the right than by SF. Considering how political parties come and go in Danish Politics, one can't rule out that the years with the burden of power was the beginning of the end for SF.

This is especially true as it is more common for politicians in Denmark to switch between parties than in Sweden, even at a very high level. Most recently, former SF Tax Minister Thor Möger Pedersen was appointed Head of Development of the social democratic party. In Sweden there are also examples of transitions between parties, but they are fewer and not as fast.

The core of the new left-wing populism is that it turns away from government policies and responsibility, and instead mainly seeks to convince of its moral high ground. Certain young radical voters are especially attracted by the message "We are better people than you". Things get more confusing when moral is turned into politics, for example when one both wants to eliminate private capitalism and fight for more women to join the boards of capitalist corporations.

In Danish politics, social democracy has never had such a strong position as in Sweden or Norway. Here, one can rather draw parallels with Finland, which historically has had a strong but not dominant social democratic party.

As a result, Denmark has seen a large number of various government constellations during the post-war period. A number of parties have also entered the Folketing and then left the parliament following electoral defeat. The social democratic party has gladly looked for support from small centre-right parties – but also from the Venstre – in order to highlight their ability to take financial responsibility.

Several other Danish parties have also been characterised by political and personal conflicts, but the history of SF is a story of constant controversy. The book *The red thread – SF and the road to power* (original title in Danish: *Den røde tråd – SF og vejen till magten*) (Lindhardt og Ringhof, 2011) by Hans Mortensen is an easy read and a well-written account of how the party under former communist party

leader Aksel Larsen, the first SF party leader, moved towards power but was constantly plagued by severe internal conflicts.

To take responsibility for the exercise of political power, which SF had to do following the 2011 Folketing election, created further internal tension. Governing demands something completely different from left-wing populist agitation in order to achieve success with voters.

SF started as a breakaway from Danmarks Kommunistiske Parti (the Communist Party of Denmark), but after several attempts to create an alliance with the Social Democrats in 1967 the party split up, and Venstresocialisterne (VS) (the Left Socialists) was formed. Today, VS is a part of Enhedslisten, along with the remains of the communist party and other leftist groups. With their populist politics – which also include a sophisticated play with the Danish opposition to immigration – they are now reaping success in the public opinion.

Initially, Socialistisk Folkeparti was a labour party, but today it is mainly a party for well-educated public employees—especially teachers. After defecting from government and having chosen a new party leader, Pia Olsen Dyhr, the party now strives to become the green party of Danish politics, inspired by Die Grünen (the Greens) in Germany.

Enhedslisten is the Danish sister party of Swedish Vänsterpartiet (the Left Party) and Miljöpartiet (the Green Party), and SF will now take on that challenge. Party leader is the young and charismatic Johanne Schmidt-Nielsen. She will, however, need to resign before the next election due to rules of the party.

In their program of principles, Enhedslisten categorically rejects private ownership of companies, land and natural resources. The idea is that all Danish companies will be owned and run by public authorities, employees, local communities and other associations.

Since SF left the government, the role of Radikale Venstre became very important, and party leader Margrethe Vestager (Minister for Economic and Interior Affairs) is an experienced and skilled power politician. Radikale Venstre is a centrist party that historically has supported both social democratic and centre-right governments. Ideologically, they are a social liberal party with qualities that are rarely prominent in Swedish politics, for example both a pacifist heritage and a strong concern for business conditions.

As internal information from the government has leaked, it has become increasingly obvious how weak SF was in the actual government work.

The Thorning government inherited a weak Danish economy. With the best will in the world, one couldn't claim that the centre-right government they succeeded had pursued particularly responsible politics. Up until the global financial crisis, the government had pursued pro-cyclic financial politics that inflated the financial bubbles.

Anders Fogh Rasmussen's time as Prime Minister was not characterised by any major reform ambitions or any explicit desires to

strengthen the economic competitiveness of Denmark. The government enjoyed the downwind of the global economic bubble, but didn't attempt to look beyond it.

The Thorning government has pursued far more business-friendly and growth-oriented politics than expected. The first budget (2012) was characterised by a certain influence from the SF, but since then there has been a change of course and focus on competitiveness has increased. The government led by a social democratic minister has made several important reforms, for example regarding taxation and labour market policies.

One particularly controversial question was the reduction in corporate tax, which was well received by the business community but created particularly severe friction within the SF.

During their years in government, the most important and perhaps most painful lesson that SF had to learn is that when the party gains power, some group within the party will also feel like they are not getting the power. Such is the nature of compromise, and that is when cracks begin to appear. On issue after issue, the party leadership encountered an internal party opinion that didn't understand, or didn't accept, the reasons behind government decisions.

In reality, it is impossible to prepare for carrying the burden of power. Only when a party is put to the test is their ability really tried. "In training" it is easy to confidently claim that you are prepared to take responsibility. The real exercise of power is another matter entirely. The less pragmatic the party culture is prior to forming a government, the easier it will be. Parties that are highly ideological often have a hard time dealing with the recurring settlements that characterise coalition governments.

This experience is not unique to Denmark. In Norway, the SF sister party Sosialistisk Venstre (the Socialist Left Party) was a part of the Jens Stoltenberg government for eight years, and their party leader Kristin Halvorsen acted as Minister of Finance. Even though a crisis of government could be avoided, Sosialistisk Venstre also learned that the burden of power often results in substantially lower support in public opinion polls. In Norway, grand socialist visions also collided with the harsh reality of governing.

HOLGER K. AFSLØRER

SÅ ISKOLD

**VAR STEMNINGEN I
REGERINGEN**



**Vi havde
nogle
forfærdelige
møder**

BT
NYHEDSGARANTI

In a notable interview, former Danish Minister of Foreign Affairs Holger K. Nielsen (SF party leader 1991-2005) described how terribly bad the atmosphere was in the Danish government before SF resigned. (Image: Danish newspaper BT, Thursday 20th of March 2014).

Experiences from Finland

Until the 1990s, Finnish politics were strongly influenced by the country's history: the Finnish Civil War and the two wars with the Soviet Union during the Second World War. The peace terms of World War II meant that Finland's Security Policy had almost no freedom of movement. "Finlandisation" (Finland's struggle not to offend their large neighbour in the East) and Soviet involvement in Finnish internal affairs were highly noticeable primarily during the long presidency of Urho Kekkonen.

Only after the dissolution of the Soviet Union did Finland gain a considerable freedom of movement regarding both domestic and foreign affairs. Primarily, this was manifested by the EU membership, which was ratified by a referendum in 1994, shortly before the Swedish EU membership referendum. The forceful "yes" in the referendum was a geo-political statement: we now completely belong to Europe.

During Kekkonen's term, Centerpartiet (the Centre Party) and Socialdemokraterna (the Social Democratic Party of Finland) had been the two dominant parties. The broad, partisan governments that have been a Finnish tradition for a long time should probably be seen as a result of Kekkonen's will.

During Kekkonen's term it was unthinkable for the conservative party, Samlingspartiet (the National Coalition Party), to be a part of the government. Today, the party leader of Samlingspartiet, Jyrki Katainen, is Prime Minister of Finland and social democratic party leader Jutta Urpilainen is Minister of Finance. Katainen will resign after the European Parliament election, Urpilainen is being challenged as party leader by trade unionist Antti Rinne and the battle will be settled before the EP-election.

The Finnish economy is suffering from difficult problems, and when the government at the end of March agreed on a financial framework, which among other things included reduced child benefits, Vänsterförbundet (VF) (the Left Alliance) and their party leader Paavo Arhinmäki defected from the government. Aside from the major parties, the Finnish government since then consists of Kristdemokraterna (the Christian Democrats of Finland), De Gröna (the Green League) and Svenska Folkpartiet (the Swedish People's Party of Finland).

One month earlier, Arhinmäki had caused a media scandal, which was described like this on Finnish public service radio:

Paavo Arhinmäki (Vf.), Minister of Culture and Sport, is reported to have been severely intoxicated during the ice hockey Lions' bronze medal celebration in Sochi on Saturday evening.

According to information from Yle Uutiset, the minister was so intoxicated that his behaviour attracted attention.

Arhinmäki admits that he celebrated “really hard”. To Ilta-Sanomat, he admits that he blacked out at the table.

– Wouldn’t it be strange if a Minister of Sport didn’t celebrate a medal, he says to Yle Uutiset.

– Are you still of the opinion that you had the situation under control and could manage your duties as a minister?

– I don’t know what my duties are during a bronze medal celebration. Is that any particular duty? says Arhinmäki.

– Didn’t you travel to Sochi in the capacity of minister, on taxpayer money?

– Yes, I am here to support Finland, enjoy the success of the Finns and celebrate the ice hockey bronze medal with the players, said Arhinmäki.

Source: <<http://svenska.yle.fi/artikel/2014/02/23/arhinmaki-berusad-pa-bronsfest-i-sochi>>
(Retrieved: 2014-04-16)

Arhinmäki is certainly not the first Finnish top politician to cause a scandal associated with severe alcohol intake, but this incident hardly strengthened the party.

The defection from government was motivated by the distributional effect of the financial framework. But this interpretation has been questioned by critics, even within the party, who point out that during the previous three years in government, VF has supported and defended a large number of tough savings decisions.

According to the hypothesis, VF instead wants to position itself for the parliamentary election in April 2015. By defecting now, the party can attract voters from De Gröna, who are still in government and may need to defend difficult future decisions.

The recent term is not the first that VF has been part of a Finnish government. The party was formed in 1990 in order to continue the political activity that earlier had been conducted by Demokratiska förbundet för Finlands folk (the Finnish People’s Democratic League), Finlands kommunistiska parti (the Communist Party of Finland) and Finlands demokratiska kvinnoförbund (the Finnish Women’s Democratic League). VF was a part of the Paavo Lipponen governments 1995–2003 and their former party leader (1998–2006), economist Suvi-Anne Siimes, was also Deputy Minister of Finance.

Siimes resigned following a conflict with the radical left-wing faction of the party, and has now left politics to work in the business community.

In the 2011 election, the party got 8.2 percent of the votes and 14 seats in parliament, which is the worst result in 20 years. VF also had one Member of the European Parliament 2004–2009, but in 2009 the number of votes dropped from 9.1 to 5.9 percent and the party lost their Member of EP. Arhinmäki also ran for president in 2012 (the party’s first presidential candidate since 1994) but only got 5.5 percent of the votes.

The experiences of VF seem to confirm the modern Finnish political history in general: to defect from government hardly pays off.

In a similar way, the predecessors of VF—Folkdemokraterna (DFFF) (the Finnish People's Democratic League)—left the Kalevi Sorsa government at the turn of 1982–1983, and suffered a major loss in the 1983 election. After the defection, it took over a decade for VF to become part of a government again.

Before the parliamentary election in April 2015, there are of course speculations about different government coalitions. Previously, Finland has had governments that were entirely centre-right and it is close at hand to believe that Samlingspartiet and Centern (the Centre Party) yet again will govern—perhaps with the party Sannfinländarna (the Finns Party) in government. If so, Sannfinländarna are likely to demand that Svenska Folkpartiet is left outside the government, for the first time in decades.

VF should eventually have the prerequisites to return as a left-wing populist party. The conditions will be especially good if Sannfinländarna are forced into a government that has to deal with the Finnish structural crisis, which demands considerable reforms of the public sector, the pension system and so on, as well as a new tax policy for enterprise and jobs. If one populist party suffers under the burden of power, the field opens up for the other.

This is how Swedish newspaper Dagens Industri summarized the situation in Finland in an editorial on April 11th:

Today, no one can predict Finland's economic and political future without taking the unpredictable Vladimir Putin into account. When the rescue package was approved, Crimea had already been conquered and the first sanctions were in force. Few Western countries have so much to lose from frozen trade relations with Moscow. Almost 15 percent of all foreign trade is made with Russia and many companies, like energy giant Fortum, have major interests there.

And the trade goes both ways. One of few remaining large shipyards recently became Russian, and the other week state-owned Rosatom (whose planned fuel sale to Vattenfall has caused protests in Sweden) became a joint owner and supplier of reactors for the next big nuclear project. On top of everything, two of the businessmen that have been blacklisted by the U.S. have Finnish passports, and have bought both Hartwall arena in Helsinki and the ice hockey team Jokerit—which next year is supposed to play in the league KHL, run from Moscow, with Gazprom as their main sponsor.

Such reminders of the country's geographical position and special historical relationship with Russia is at risk of overshadowing the story of the modern and successful high-tech country that is fighting China and

South Korea at the top of the Pisa rankings. Foreign media had just started writing about how Finland is rising after the Nokia shock, about the hot startup scene in Helsinki and investments in environmental technology—linked to the knowledge of commodity and industry. Embryos for new national treasures are found in gaming successes Rovio and Supercell.

That Supercell recently got a major Japanese ownership does, however, pinpoint how few and far between strong, domestic private capitalists are. The result is foreign acquisitions and moved headquarters, like when Rautaruukki was bought by SSAB. The trend will most likely be enhanced when the state—majority owner in many of the stock market giants (including Sampo)—now will slim their portfolio as a part of the debt restructuring process.

If Finland is not to become a “subsidiary company economy”¹, the one-sided fixation on distribution policy needs to stop and a more permissive tax policy is required. Björn Wahlroos voting with his feet will perhaps give a push in that direction.

For a long time, Finnish think tank EVA has argued in favour of structural reforms that can lay the foundation for a new period of growth, but the broad government coalitions have been unable to deliver any results.

One future challenge aside from the unresolved pension issue—the need for a reform is urgent both in the public and private sector—will be to reform the poorly functioning public sector.

Finland does not have any equivalent to the Swedish County Councils. Instead, 340 municipalities manage the welfare state. The public Finnish union organisations have also been less prone to change than the Swedish; virtually every government proposal is met by threats of major strikes.

Offering citizens the freedom of choice in the public sector seems almost unthinkable today. On these issues, the whole political field in Finland is far more to the left than the Swedish. This especially concerns Centerpartiet (the Centre Party), which on the whole has remained a rural party that is hostile towards development.

Now that Vänsterförbundet yet again have left a government, nothing indicates that the party will want to contribute to the Finnish economy. Instead, the party will return to its historic populist role: being the party that looks for problems, while others (primarily social democrats and members of the National Coalition Party) tentatively look for solutions.

¹ Translation based on the statement of Jyrki Katainen:
<<https://www.hs.fi/english/print/1076152937201>>, read 2014-04-30.

Lessons for Sweden?

The Swedish election to Parliament in September may result in Fredrik Reinfeldt's continued leadership of an Alliance government – if so, most likely a minority government that is weaker than today's. If Stefan Löfven instead becomes Prime Minister, he will be faced with several important political challenges.

Here, I will not need to address alternative solutions for creating the basis for a government run by Löfven. Instead, I will confine myself to drawing two conclusions.

The first is based on experiences from Denmark and Finland.

The lesson is that fundamentally populist parties have trouble carrying the burden of power, since their voters never intended for them to have government responsibility. If one follows the open leftist discussion – for example in Swedish left wing newspaper *Flamman* – one can see how the party opinion primarily concerns putting together all kinds of unrealistic wish lists.

In the party program it is therefore wise of Jonas Sjöstedt to include a way out of a possible offer to participate in a government led by social democrats. The alternative is the same dilemma that Thorbjörn Fälldin faced back in the day – to compromise conscience for the sake of power. Sjöstedt seems to be wiser.

The second lesson concerns the Left's uncomfortable position in the problematic welfare states of the Western world. The best example is probably French President Francois Hollande, who was elected on a political platform so unrealistic that it even makes Jonas Sjöstedt seem like a political realist.

In the ongoing debate prior to the British Parliamentary Election next year, problems are illustrated by the internal Labour Party debate. Leftist magazine *Progress Magazine* recently stated that even if the new Labour Party leader Ed Miliband wants to put a distance to Blair and Brown, experience indicates that the party will have to "concede the importance of campaigning as you intend to govern".

Words of warning are being heard in the Labour Party debate, for example about Miliband's inability to formulate policies that stimulate businesses, economy and growth. Alan Milburn, former major Labour Party minister, recently wrote "Labour has to demonstrate how it would make the British economy more competitive".

The most worrying thing for Stefan Löfven is perhaps that the debate of ideas in his own party is either more leftist than social democratic (see for example the left opposition that has been formulated by Daniel Suhonen) or is too otherworldly.

The interesting leftist think tank Policy Network has its head office in London, but is monitoring the more realistic social democratic debate of ideas in all of Europe.

Most of the Policy Network reports are characterised by how they

don't avoid the difficult questions. Enthusiastically, they deal with what role a movement that during the 1900s was associated with the rapid expansion of the welfare state in economically good times, has in a Europe where the increasingly sluggish economies of the welfare states are being challenged in the second phase of globalization.

The Policy Network has also devoted a lot of attention to nationalism, isolationism, right-wing populism and other phenomenon that have grown increasingly obvious in European politics.

When Swedish think tank Tiden recently published the anthology *The world crisis – the solutions of the Left* (Original title in Swedish: *Världens kris – vänsterns lösningar*) (2014), one had expected to see some of what the Policy Network had focused on in the collection of international essays in the book.

But the editors of the book, Katrine Kielos and Jesper Bengtsson, chose a less demanding path: the spectacular rather than the relevant. They introduce international, leftist debating stars such as Roberto Unger, Jacob Hacker and Guy Standing, and concepts such as “precariat” and “pre-distribution”.

To those who follow the leftist debate in Europe, the reasoning is familiar. But the anthology will hardly have any major influence on the part of Swedish social democracy that struggles with the challenge to both win elections and be able to govern in a successful way.

Because contrary to the rather superficial impression in Swedish media debate, social democracy in our country is under severe pressure. The challenge is to develop policies that won't just be “the last sigh” before the party follows its sister parties in Finland and Denmark below the 20 percent-mark.

For generations, the purpose and meaning of social democracy has been to govern. This requires a livelier debate of ideas, which goes beyond formulating old slogans in a modern way. The social democrats will need to explain to potential voters that their government policy is ready for the election. The dilemma is, among other things, that such a policy will be difficult to accept, especially for Vänsterpartiet.

The worst enemy of social democracy is not Alliansen (the Alliance) but the left-wing populism that now grows inside and around Socialdemokraterna and Vänsterpartiet.