

The Political Economy of the Nordic Model

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1 Summary

1.1 Course content

The course explores the economics of the societal model of northern Europe. This model, often termed “the Nordic model”, has received increased attention during the last years. Today, many look to the Nordic countries in search of role models for how low inequality can be combined with good economic performance. The aim of the course is to provide a basic understanding of the Nordic model as an economic and political system. What are the main features of the model? In what way has the model contributed to the high level of affluence and equality that characterizes the Nordic countries today? The course will introduce students to key institutions of the nordic welfare states, with an emphasis on labor market institutions and multi-tier public sector governance. The course will also discuss how the Nordic model is affected by competitive forces.

1.2 Setup

- Lectures: 4 days (the Thursdays in February), 5 hours of lectures each day (10-12 and 13-16). For locations see below
- Evaluation: Two essays. Details will be discussed at the course
- Readings: See below

2 Modules

2.1 Part 1: The Nordic model — features and background

Date: Thursday, February 4th

Lecturer: Jørgen

Location: Room BP101

- Lectures 1-2: What is the Nordic model? Descriptives.
 - How tax rates, growth and inequality differ across the world. Typology of economic systems.
 - Details on the Nordic model

- Main reading: Pontusson (2005), chapters 1 - 7. Andersen *et al.* (2007)
- Supplementary readings: Esping-Andersen (1990) chapter 1 (and 2-5?), Sapir (2006), Meltzer & Richard (1981), Moene & Wallerstein (2001)
- Lectures 2-3: The political economy of the Nordic model. Theory.
 - The median voter theorem
 - Welfare states as redistribution vs. welfare states as social insurance
 - Universalistic systems and voter support
 - Readings: Meltzer & Richard (1981), Moene & Wallerstein (2001), Moene & Barth (2009)
- Lectures 4-5: Inequality and growth
 - Is inequality good or bad for growth?
 - Economics I: elementary public economics (deadweight loss of taxation, general belief in markets)
 - Economics II: Inequality, growth and capital accumulation
 - Main reading: Parts of Benabou (1996), other to be announced

2.2 Part 2: Decentralization

Date: Thursday, February 11th

Lecturer: Jon

Location: Room B0019 (10-12), Room B233 (13-16)

- Lectures 1-2: Theory
 - Which function of government should be placed in the sphere of decentralized government? Oates (1999), Besley & Coate (2003)
- Lectures 3-5: Empirics
 - Scandinavian local public institutions: Rattsø (1998), Part 1
 - Public Spending: Fiva & Natvik (2009)
 - Tax structure: Borge & Rattsø (2004)

2.3 Part 3: More on labor markets and economic performance

Date: Thursday, February 18th

Lecturer: Jørgen

Location: Room A006 (10-12), Room B223 (13-16)

- Lectures 1-2: Scandinavian labor markets and bargaining systems
 - Characteristics of Scandinavian labor markets
 - Centralized bargaining

- Public sector employment
- Main readings: Calmfors (1993), Esping-Andersen (1990) (chapter 6 in particular), Pontusson (2005) (chapter 4 in particular). Something more on labor markets may be added here
- Lectures 3-4: The emergence of the Nordic model
 - Brief historical overview of the Nordic countries (reading: to be announced)
 - Wage coordination
 - Human capital and other historical determinants
 - Main readings: Moene & Wallerstein (1995). More historical sources may be added here.
 - Supplementary readings: Sandberg (1979)
- Lecture 5: Can the Nordic model be a viable development strategy?
 - Open discussion
 - Main reading: Moene & Wallerstein (2006)

2.4 Part 4: The Nordic Model and Globalization

Date: Thursday, February 25th

Lecturer: Jon

Location: Room A006

- Lectures 1-3: Theory
 - Has globalization gone too far? Rodrik (1997)
 - The selection principle Sinn (2003)
- Lectures 4-5: Empirics
 - Why do more open economies have bigger governments? Rodrik (1997)
 - Welfare competition Fiva & Rattsø (2006), Fiva (2009)

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