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The Capitalist State and Education: The Case of Restructuring the Nordic Model

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Abstract: This article discusses the transforming capitalist welfare state and its education system, and focuses especially on the Nordic model of welfare state and education in Finland. It shows how restructuring processes towards the competition state are proceeding on both policy and institutional levels. Nevertheless, the basic structures of the Nordic model or pattern and especially the principles of public education and the comprehensive and local school are left intact. By applying an institutional approach in the analysis, a new path generation and institutional patterns are emerging, but their legitimization and establishment will take a long time. Changes in policy and organization are much faster to occur than those in socio-cultural settings. Such success stories as the Danish labour market reform and the rise of the Finnish knowledge-intensive ICT cluster have paved the way for this transformation. There is still a possibility that a welfare state strategy and a competition state strategy will coexist.

Keywords: education – welfare state – competition state - workfare state – Nordic model

Introduction

This paper discusses the transforming capitalist welfare state and focuses on the Nordic social democratic model and its Finnish version in particular. From the perspective of the simplified globalization thesis, talking about a Nordic model might be seen as part of the historically obsolete world of closed national societies. But comparisons between national or regional models and practices could, in this era of “reflexive modernization” (Beck, Giddens, Lash 1994), also be seen as a debate implementing institutional reflexivity or reflexivity of national and regional actors (Kettunen 2006, 33). In any case, this debate is very lively, and references to the Nordic model are presented repeatedly. It has been seen to accord well with, for example, the goal of simultaneous realization of ‘competitiveness’, ‘full employment’ and ‘social cohesion’ of the EU Lisbon Strategy. The preface of the European Policy Centre report “Nordic model – recipe for European success” states: “… of all the analyses done in different policy areas, one of the most striking conclusions was the outstanding performance of the Nordic countries in comparisons to the other
countries (not only EU member states) on a very wide range of indicators” (Schubert & Martens 2005, 6).

The central questions of this study are the following: does a Nordic education model exist, how has it been restructured, and what are its future options? An attempt will be made to push the boundaries of the sociology of education both into the study of welfare and into politological and economical study of institutions. Restructuring will be studied from three perspectives based on the rhythm of transformation: from a policy perspective (fastest); from an institutional perspective; and from a (socio) cultural perspective (slowest) (Braudel 1982; Goodson 2005.)

The Nordic model

In his highly influential book, The Three Worlds of Welfare Capitalism (1990), Gösta Esping-Andersen proposes a classification of ideal types of welfare state. His point of departure is the concept of “decommodification”, i.e. “the degree to which they (welfare states) permit people to make their living standards independent of pure market forces. It is in this sense that social rights diminish citizens’ status as ‘commodities’ (Ibid., 3)”. He distinguished three types of welfare regime: liberal; conservative or corporatistic; and Nordic or social-democratic. The United States, Canada, Australia and latterly Great Britain would be examples of liberal welfare states, and European Catholic-dominated states like Italy, France, Germany and Austria would exemplify conservative or corporatistic welfare states. The third regime cluster, the Nordic model, included “those countries in which the principles of universalism and decommodification of social rights were extended also to the new middle classes.” They were called the “social-democratic” regime types, in which “rather than tolerate a dualism between state and market, between working class and middle class, the social democrats pursued a welfare state that would promote an equality of the highest standards, not an equality of minimal needs as pursued elsewhere.” (Ibid., 26-29.) Thus, the cornerstones of the Nordic model were:
- citizens’ equal social rights; universalism;
- responsibility of public authority (state) for welfare of all citizens;
- striving towards narrowing of differences in income and gender inequality;
- striving towards full employment.

The general importance of the welfare state in terms of education is easily shown, as expansion, and differentiation of education also took place in Latin America, Asia, and Africa in states aspiring to resemble welfare states at least as interventionist states (Torres & Antikainen 2003, 3-4). But is there such a thing as a distinct Nordic model of education? I have answered this question in the affirmative, with reservations including national variants of the model or of the pattern (Antikainen 2006; 2007; Is there a Scandinavian School Model? 2006). According to the definition I have proposed, “the Nordic model of education is an attempt to construct a national education system on the foundation of specific local (or Nordic) values and practices, but at the same time subject to international influences” (Antikainen 2006, 229). Such Nordic values or goals are particularly equity, participation, and welfare. They have a long history going back centuries. Historical research shows that the Nordic countries have been relatively homogenous in terms of ethnicity and religion. For centuries, Lutheranism has held a hegemonic status in all the Nordic countries. Many historians have deemed this to have contributed to the development of a certain kind of work ethic, valuing of literacy and development of equality, corresponding to the goals of full employment and equal opportunities of the welfare state (Christiansen & Markkola 2006, 10). Lack of a land-owning aristocracy and the husband and wife partnership, ‘gender companies’, on the farms of the peasantry, as well as the long tradition of political democracy have also helped further equal rights, equality and participation of women. The proverb “oppia ikä kaikki” (all life is learning) was known as early as the 1600s, and free education from primary school to university is also a historical feature dating back to the 1800s or the early 1900s.
Thus, the Nordic welfare state has far-reaching roots, but its construction, particularly in terms of social security and education, took place in the 1900s. Until the 1930s, governments of all Nordic countries still followed an economic policy based on liberalistic doctrine. Under the conditions of the Great Depression, the beliefs changed. Economic doctrine changed in the direction of a planning economy, and a far-reaching political consensus between the major social classes was achieved.

The experiences of the Depression led to the rise of social solidarity and political compromises. The developments took different courses in different countries. Social democracy played a central role particularly in Sweden, while in the other Nordic countries the agrarian parties had a major influence alongside social democrats. In Finland, the first agreement between employers and the unions was signed during the Winter War in January 1940, at the same time as Soviet bombs were falling on Helsinki. The expansion phase of the Nordic welfare state can be dated roughly from the 1950s to the 1980s. It has often been characterized as the ‘Golden Age’ of welfare. Finland has tracked the development of the other Nordic countries with a time delay. In the early 1980s, the level of social security was still lower than that of the other Nordic countries, and as a result of the economic depression of the 1990s, it has again dropped to a lower level. Conversely, especially in the fields of labour market relations and education, Finland exemplifies the Nordic model and its success.

In the 1960s and 1970s, compulsory education in all Nordic countries was extended to nine years, and the comprehensive model was adopted as the starting point of developing the whole education system. The Nordic Council, the advisory pan-Nordic organ, also mooted the idea of implementing these comprehensive schools in exactly the same format in all the countries. However, understandably, the idea was rejected on the grounds of each country’s national independence. Social-democratic Sweden was a trailblazer and model. The other Nordic countries followed suit,
guided by their slightly more pragmatic education policies. In Denmark in particular, implementation of the basic school, in common with other institutions, was more liberal, more local, and offered more alternatives. A Nordic group of Programme for International Student Assessment (PISA) researchers describes the Nordic strategy as follows:

“The Nordic strategy for building up high quality and equality in education has been based on construction of a publicly funded comprehensive school system without selecting, tracking or streaming students during their basic education until the age of 16. Part of the strategy is to spread the school network so that pupils have a school near their homes whenever possible or if this is not feasible, e.g. in rural areas, to provide free transportation to more widely dispersed schools. Inclusion of special education and instructional efforts to minimize low achievement are also typical to Nordic educational systems.” (Lie, Linnakylä & Roe 2003, 8.)

This education model, based on the principles of the comprehensive and local school, is what I mean by the Nordic education model. It draws its legitimation from Nordic values and practices. In that sense, it is ‘local’ in my terminology (although I agree that a pure ‘local’ does not exist). ‘Global’ as ideal type is represented by the goals and actions linked to accumulation of capital and improving economic competitiveness. Following Izquierdo and Minguez (2003), I argue that the relationship between these two facets of the institution of education, i.e. general or global, and particular or local, may be characterized as dialectical.

**Is the Nordic model still there?**

In the Nordic countries, public funding and control of education have been predominantly preserved, as shown by Table 1.
The local school principle is still pivotal also after the primary school stage, as illustrated by Table 2. Almost 80 per cent of upper grade pupils in Finland go to their nearest school (Kupari & Välijärvi 2005, 215).

How does the Nordic model manifest itself in the present Finnish education system?

It is evidenced in a number of ways, for example: education from basic school to university is publicly funded and free; there is no tracking in comprehensive school and there is extensive provision for special needs education; school meals are free in basic and secondary level schools, and subsidized in higher education; students at secondary and higher education levels are entitled to student grants; primary schools are located in municipal or urban local districts, upper grade schools in municipal centres or equivalent, secondary educational establishments in regional centres, and polytechnics and universities in provincial or national centres; the adult education model is characterized by a high participation rate, a high share of public funding and public suppliers, and a high degree of personal interest in adult education (Tuijnman & Hellström 2001); upper secondary schools, vocational schools, polytechnics and adult education all have female majorities; social class differences are clear, but relatively low in international terms. So, the basic structures of the Nordic model of education have largely remained intact.

Certainly, the Finnish education system has also changed to conform more to those of the rest of the industrialized world outside the Nordic countries. This is a development brought about by modernization, which has increased under the conditions of accelerated globalization.

Immigrants and their education in the Nordic Model
From a comparative perspective the Nordic countries are culturally and ethnically relatively homogeneous. Still, there are differences between countries and each country has its own diversity. There are three official languages in Finland, Finnish, Swedish and Saami (Lappish) in Lapland. Swedish-Finns form the largest minority group, approximately 5.5 per cent of the population. The Saami people (Lapps), Jews, Tatars and Romanies are other indigenous or native small minorities. Immigrants and refugees constitute about two per cent of the five million Finns, which is one of the lowest percentages in Europe. However, the growth of immigration has been comparatively very rapid in recent years and immigration may be one of the major population dynamics in the future (Matinheikki-Kokko & Pitkänen 2002, 49).

Citizen rights and cultural rights are difficult or nearly impossible to combine in theory and especially in practice. The key challenge is balancing diversity with universalism. As the Nordic model is based on universalism, the equality of immigrants has formed the nucleus of building the Finnish integration system in general and also in education. The politics of difference and the principle of cultural diversity are relative new concepts in Finnish public policy. Still, the current ideology comprises three main principles for the education of immigrants: equality, functional bilingualism and multiculturalism (Matinheikki-Kokko & Pitkänen 2002, 63).

According to the PISA 2006 results students from immigrant backgrounds have on average lower test scores than native Finnish students, but clearly higher, on average 50 points higher, than students from immigrant backgrounds in all OECD countries (OECD 2007). The proportion of those students who do not complete secondary education is about 20 per cent among immigrant students compared to about 15 percent among all Finnish students. A study of experiences of immigrant students (Pihlava, Wallenius & Olkinuora 2001) indicates that the level of school
satisfaction in Finnish schools is on average higher among immigrant students than among Finnish students.

Some segregation in schooling, housing and the labour market occurs in all the Nordic countries (Bron 2006). One special group is Muslim immigrants. They face more acute integration challenges than many other immigrant groups. In education, a lack of qualified teachers and teaching materials is a major problem, for instance, in Finland. A future possibility would be the more active recruitment of teachers from the Muslims’ own group, but this calls for collaboration between different Muslim groups (Muslim immigrants in Finland 2008). Immigration is a challenge to the Nordic model and education policy. Green, Preston and Janmaat (2006, 17) present the challenge as follows:

“… social democratic welfarism appears unusually dependent on solidaristic national identities which are relatively intolerant of ethnic and cultural diversity and which define the limits of social cohesion in Europe’s most cohesive states.”

Restructuring processes in the case of Finland

Under the conditions of accelerated globalization, economic competition and technological change, the focal point of education policy has become “competition, managerialism and performativity” (Ball 2003). The Nordic countries are no exception. Decentralization of educational administration began as early as the 1980s, but in the case of Finland the actual age of restructuring began during the economic depression of the 1990s. The primary consequence of decentralization was passing the responsibility for educational provision to local authorities, but it also contributed to furthering client- and market-orientedness and increasing the power and responsibility of school principals. Alongside decentralization, deregulation, accountability and rationalization have been major trends in the education policy from the 1990s onwards (Beach 2005; Norrie & Goodson 2005). The centralized norm and resource management have been replaced by data-driven results-based
management and information steering. In curriculum planning, a new core curriculum has been introduced, and municipalities and schools have more autonomy to decide on their curricula. Entrepreneurship has become a school subject. According to the 1999 Education Act, the organizers of education are under obligation to assess their education and its effectiveness by both internal and external evaluations.

Education is funded as part of the statutory government transfer system and state subsidies for local authorities and by local taxes. In the new system, the transfers and subsidies are calculated on the basis of unit costs, and their level has decreased from 70 per cent to 50 percent, which has led to closing of village schools and merging schools based on scale benefits. In the context of a tightening economy, shrinking age groups and the deregulation concerning grouping of school students, over 1,300 basic schools have been closed since 1990, mainly in rural areas (Beach 2005, 259). As a result of deregulation, school choice is common in big cities. In the capital city Helsinki, half of the age group transferring to the upper grade in the basic school had applied for a student place in another catchment area school, and in other big cities the average is approximately one-third of the students (Seppänen 2003; 2006). Choices were more commonly made by the upper- and upper-middle class students.

Since the beginning of the 1980s, growth in the field of adult education has been concerned with purely vocational education. In the early 1990s, vocational adult education was reformed to become market-driven, but about the same time some programmes for the low-skilled were established. Competence-based qualifications have been adopted in vocational adult education. Now they are being introduced to young people’s vocational education. Apprenticeship training has gained ground alongside school-based vocational education. Strengthening the position of employers’ associations and employees’ unions is a common trend in education policy.
In the 1990s, polytechnics were established alongside universities. In higher education, results-based management and remuneration and other New Public Management applications are the most prolific. Higher educational establishments are viewed as a part of the national innovation system. In government reports, globalization is seen as a challenge especially to higher education. The main theme running through the proposals is the need to increase mutual co-operation between universities and between universities and polytechnics. A proposal given in February 2007 recommends the merging of the Helsinki University of Technology, the Helsinki School of Economics and the University of Art and Design in Helsinki into a ‘university of innovations’ or ‘university of excellence’, as it is called in the new government programme.

Some researchers consider that a major historical shift has taken place in the administration of the education system (Simola, Rinne & Kivirauma 2005), some are arguing that the basic values and visions of the Finnish education policy have not changed from the 1960s, and sustainability is one of the cultural characteristics of the Finnish society in general (Aho, Pitkänen & Sahlberg 2006). I am tentatively arguing that the conclusion depends on the perspective applied: while it is true that a major shift has taken place on the policy level, the change does not reach to the socio-cultural level.

**From welfare state to competition state?**

Most of those talking about major change or paradigm change consider that at least the rules/institutions and players/organizations, involved in operating economic institutions have been transformed. In the terms of the type of the capitalist state and its economic and social policy regime, we are moving from a strategy representing the Keynesian Welfare National State (KWNS)
towards a strategy representing the Schumpeterian Workfare Postnational Regime (SWPR) and governance (Kettunen 2004; Heiskala 2006; Saari 2006; cf. Palan & Abbott 1999; Jessop 2002; Torfing 1996; and 2000). The KWNS and the SWPR are ideal types created by exaggerating certain empirically observable trends. As such, they are not suitable for making predictions about the form and substance of economic and social policy in a particular country at a particular time. In the present context, they are heuristic tools in an effort to understand current attempts to restructure the welfare state.

The KWNS model was dominant in Western countries from the 1950s to the 1970s. The liberal, conservative and Nordic social-democratic welfare state models, defined by Esping-Andersen (1990), are examples of this model, its variants. It developed in interaction with the economic system of Fordism, which it maintained through a complex set of regulatory practices. They included striving for noninflatory full employment, regulation of demand, and provision of infrastructure for mass production and mass consumption. The scale of nation state is pivotal, and the state is assumed to correct the problems created by the markets in this “mixed economy”.

The SWPR, on the other hand, is a post-Fordist and postnational system of governance focused on workfare. The state is no longer a performing centre, although it is still an important coordinator of functions. A certain relativization of scales has taken place, as the result of which there prevails a complex interweaving of local, regional, national and supranational scales. As a regime, its governance networks do not include the hierarchy of state or the anarchy of the market. Networks are formed by actors from the state, the economy and civil society. The SWPR is Schumpeterian in the sense that it aims to promote permanent innovation and flexibility in open economies. Instead of regulating demand, the focus is on provision of support structures for a knowledge-based economy. The SWPR aims to strengthen the structural competitiveness of relevant economic spaces by
restructuring markets, industries and firms. Indeed, ‘creative destruction’ to Schumpeter was a
process sustaining and creating capitalism. Regarding social reproduction, the SWPR can be
described as a workfare regime which subordinates social policy to the demands of labour market
flexibility and lower social expenditure.

Torfing (1999) has studied the formation of the Danish workfare policy. His analysis takes the form
of a success story on the Danish jobs miracle (c.f. Christiansen 2004). By an activation policy based
on the application of the SWPR, the Danish government succeeded in reducing unemployment
without inflation and without breaking up the universalistic Nordic welfare model in the 1990s.
What did change was the citizens’ identity. It is no longer that of a ‘social citizen’, but an
entrepreneur in and for his/her life. The Danish example has been followed in other Nordic
countries to some extent. However, for example Larsen (2002) argues for an alternative
interpretation according which job miracles are much more a result of fortunate macro-economic
conditions than successful activation reforms.

In my view, the SWPR ideal type also helps to understand the change that has taken place in
Finnish society. As the combined consequence of several external (such as the collapse of the
Soviet Union) and internal (e.g. the banking crisis) factors, the Finnish economy endured its worst
recession of the post-war period in the early 1990s. Between 1990 and 1993, GDP shrank by more
than ten per cent; unemployment soared from three per cent to fifteen per cent and the employment
rate dropped by thirteen per cent to 61 percent (Schienstock 2007). It was not just a recession but a
depression. After a few years, the situation was already quite different. The three ‘lean years’ were
followed by seven ‘fat years’. The rapid recovery took place through rerouting the old economic
path based, particularly in exports, on the leading position of forest industry and the forest cluster to
a new development path based on the knowledge-intensive ICT cluster. The share of electronics and
electrical equipment of total export grew from ten to 29 per cent in 1999. The ICT cluster showed up to 25 per cent growth rates each year, while the paper industry grew only 1.6 per cent. In a short time, Finland became the most specialized country in telecommunications in the world. The reasons for this success story, primarily that of NOKIA, might be summarized as follows: “… the competitiveness of the Finnish ICT cluster is due to several factors: corporate specialization in telecommunications, the core company (Nokia) as a key global player and a network of SMEs (small and medium enterprises) closely co-operating with the core company, high R&D investments and close science-industry co-operation, techno-organizational modernization, a highly educated workforce and a focus on firm-centred innovation policy (Schienstock 2007, 100).” Along with technological innovations, social innovations have been sought in the 2000s. ‘Innovation’ and ‘network’ are the most common terms used in present Finnish policy discourse. In this decade, the success story has taken a turn for the worse, since the core company Nokia and especially its subcontractors have moved production and jobs to Asia and America.

After the depression of the 1990s, social policy never returned to its former state, but among others, the following trends are evident: the equalizing effect of taxation has reduced substantially, the basic and minimum social security benefits have lagged behind pay levels, and it has not been possible to reduce structural unemployment (Heikkilä, et al. 2005). The proportion of poor families with children has doubled between 1995 and 2005, and the percentage of families with children overtook that of other poor for the first time in 2003. Thus, the change has also meant the ‘new division,’ and it was amore defensive than the Danish reform (Heiskala & Luhtakallio 2006).

Clearly, the operation of economic institutions underwent an event akin to what the institutional approach calls a path transformation or overcoming of path dependency. One of its elements in the
private sector was a transition from managed capitalism towards market capitalism (Heiskala 2006, 24-26). Overcoming path dependency was also partially facilitated by the fact that from the 1980s, the public sector had also developed new modes of operation, which could now be adopted under the crisis conditions. Path dependency, originally used in technological research, refers to the way historical sequences are characterized by the tendency of earlier innovations to form institutional patterns, which prevent implementation of the most productive and efficient reforms (North 1990; Saari 2006). In general, path transformations demand a long-term approach and support from various mechanisms. In any case, power and policy feedback often take a key role in the early stages. In this case, the whole of Finland’s coalition government of the time, called ‘rainbow government’, from right to left, was in favour of developing the ICT cluster in order to overcome the depression. As well as politicians, the media and evidently the citizens rejoiced over the success of the ICT industry. The vision of an information society also acquired legitimacy from this success. The citizens’ attitude was also influenced by the media and research declaring that this success had rescued the financial basis of the welfare state and restored the ‘virtuous cycle’ of the economy and welfare. However, at the same time social inequality has increased, for example in the form of income differentials and regional variations.

So, a change did take place, but was it a change from KWNS to SWPR? Many researchers comment that the model of Finland’s economic policy was not purely Keynesian even before the 1990s. In any event, it was more Schumpeterian after the change. And to what extent did the change touch the public sector and education? Did it modify values and socialization?

**How deep is the path transformation?**

In order to survive and develop, the transformed institutions need legitimization and people’s socialization to them. They must come to be seen as ‘normal.’ Application of the institutional approach to education reveals that education has the status of a central institution in this
legitimization and socialization (Meyer 1977; Benavot 1997) or as Meyer put it: “As religions do, it (education) provides a legitimating account of the competency of citizens, the authority of elites, and the sources of the adequacy of the social system to maintain itself in the face of uncertainty.” Moreover, in realization of an information society or a knowledge-based economy, education plays an enhanced central role.

In the case of Finland, the mutual links and interdependencies of different policies, such as economic, employment, education and social policies have increased in recent decades (Saari 2006, 80-83). In addition, forms of collective collaboration have been created, the most prominent being the National Innovation System. The concept of the National Innovation System was probably used for the first time to explain Japan’s economic success in the 1980s. In the Finnish government agenda, the National Innovation System is defined as “a domain for interaction in the production and utilization of knowledge and know-how built on co-operation between all producers and users of new knowledge” (Science and Technology Council of Finland, 2000). It includes R&D-facilitating institutions, such as the Finnish National Foundation for R&D (SITRA), the Academy of Finland (National Science Foundation) and the National Technology Centre (TEKES), R&D performers, such as corporate R&D, universities, research institutes and vocational schools, knowledge and technology transfers, such as technology and science parks and regional centres of expertise, as well as naturally private and public goods and services. The operational sectors include technology, research, education, finance and management. This formal listing of actors and functions, in itself, reveals the links of education to innovation policy and the innovation system. Naturally, university and vocational education have other tasks too, apart from participation in producing innovations. Nevertheless, in the prevailing atmosphere it is the function attracting most attention and resources.
Networks are an increasingly pivotal organizational form also in education. Schools, colleges and universities are establishing partnerships with each other and with actors such as companies, employers and unions, civic associations and so on, locally, regionally and globally. Learning theorists argue that management of imprecisely defined problems and rapid change is becoming the most important strategy of economic coping (Hakkarainen, Palonen, Paavola & Lehtinen 2004). The precisely defined knowledge produced by formal education is not sufficient for management of complexity, but it must be possible to link it to informal and nebulous knowledge that develops in various operational contexts. This requires dynamically networked experts. In this way, pedagogical legitimization can also be found for networking and learning at work.

The government’s innovation policy documents support the comprehensive school system. The success of Finnish students in PISA is likely to have at least strengthened this stance. At the same time, there is concern over the share of school subjects related to technology and the natural sciences and over adequacy of resources.

There are no innovations without creativity. Consequently, SITRA is in the process of drawing up a national creativity strategy. Its formulation may present problems, as research shows competition, assessment, control and accountability to be downright enemies of creativity (Uusikylä 1996). How could the competition and hurry prevailing in the employment sector be prevented from permeating education?

Both in education and in other policy sectors, the measures furthering competition, managerialism and performativity have come from government officials. For example, the school choice policy is their creation (Seppänen 2006). The elite in the field of economic policy hold the view that globalization and international competition force constraint of public expenditure. They are not
swayed by international comparisons showing that the Nordic countries, as well as other countries with an extensive public sector and a high rate of taxation, can be very competitive. The civil service elite seek the means primarily from the doctrines compliant with the SWPR, offered by the OECD and EU (Rinne 2006). Conversely, opinion polls show that more than 80 per cent of citizens are in favour of the Nordic welfare state, for example public services funded by taxes. Thus, it is a question of which idea carries more weight, elite or people, or which side is prepared to compromise its position in the course of time.

However, it should be noted that different national variants of the SWPR are discernible. Neo-liberal variants are primarily concerned with promoting a market-led regime through the reinforcement of the market as the privileged decision-making mechanism. Neo-statist variants rely on a state-guided approach and state-promoted governance networks. Neo-corporatist variants are concerned with the promotion of corporative interest groups and activities through relatively independent, open and inclusive policy networks (Torfing 1999). The case of Finland does not unequivocally fall into any one type. For instance, the adopted innovation policy is clearly state-guided, while in adult education, a largely corporatist approach prevails alongside a market-led one. Neo-liberalistic measures are in fact rather few, if limited to markets, but more extensive if quasi-market applications are included.

An interesting point in this change of the last few years is that about forty years have elapsed from the last major change of the 1960s and 1970s. A famous economist, Kondratiev (1984), argues in his long wave theory that about fifty years – or two generations - is the duration of a long wave conjecture based on the lifecycle of technology systems. According to Kondratiev (1984, 104) “the long cycles may be regarded as a disturbance and restoration of the economic equilibrium of a long period. Their basic cause is to be found in that mechanism for the accumulation and diffusion of
capital which is adequate for the creation of new basic productive forces. The effect of that basic cause, however, is strengthened by the effect of secondary factors.” Goodson (2007) has applied the long wave theory to education policy change in his study of some American schools. I think that reaching a consensus on the change of long waves is impossible, but the mere raising of the question as a legitimate issue indicates the depth of the change.

**Have the sociocultural conditions of competitiveness changed?**

If innovations are of prime importance in creating national economic competitive edge, what are the sociocultural conditions of innovations? Finnish economists created a seven-part indicator of economic innovativity and called it the Competitiveness Index, because it was a good predictor of the economic growth of the years 1980-2000 (Schienstock & Hämäläinen 2001). Thus, it conceptualizes competitiveness as a factor that can fluctuate, sometimes rapidly, as the result of economic policy interventions. The social psychologists tried to identify the values that are associated with the competitiveness of a country (Helkama & Seppälä 2004 and 2006). The study employed as comprehensively as possible all value indicators used in cross-cultural comparative studies (e.g. Hofstede, Inglehart, Schwartz), but found that none of them was systematically associated with competitiveness in the sixteen OECD member countries under scrutiny. The only indicator that worked was social capital. Two questions were posed as a measure: how many people belong to a voluntary organization; and how many feel that they can trust other people (Rice & Ling 2002)? This indicator of social capital had a very strong correlation with particularly the competitiveness index of the latter 1990s ($r=0.82, p<.001$) and a moderately strong one with the index of other points in time ($r>0.60$). The result was verified using European Social Survey 2002 data. What is it then that creates trust? According to both theoretical analysis and European Social Survey data, equality (lack of power distance) is linked to creation of trust. Thus, the mechanism is
that equality creates trust, which in turn creates competitiveness. This is illustrated in Figure 1 (Helkama 2007.)

**About here Figure 1.**

Nordic students and especially the Finnish students have done well in international educational comparisons, the best-known of which is the OECD PISA (OECD 2001 and 2004). The assessments of reading literacy, mathematical literacy and scientific literacy of fifteen-year-old students are focusing on young people’s ability to use their knowledge and skill to meet real-life challenges, rather than mastering a specific school curriculum. Assessing young people at the end of their compulsory education is regarded as providing insights into the performance of basic education systems. Why have Finland and other Nordic countries, with the exception of Norway, been successful in PISA? In the case of Finland, the knowledge and skills of the whole age group are of a relatively high standard on an international scale, the differences between students are small, and those between schools minimal. The sense of community and trust in teachers are above the international average. Undoubtedly, also the declining but still high status of the teaching profession, reflected by the fact that only about fifteen per cent of applicants are accepted on teacher training courses, and the M.A. level of the class teacher’s examination, lie behind the success. Thus, the results and interpretations are in concordance with the studies on the role of equality and social capital in producing innovations and ‘competitiveness.’ The Nordic model of education and its creative national application is behind the success (Lie, Linnakylä & Roe 2003; Antikainen 2007.)

For instance, in some EU policy networks, Finland’s PISA success is interpreted as evidence that efficiency and equality in education can be implemented simultaneously and be mutually supportive
Therefore, the research results on creativity, trust and equality show that competition and selection do not promote but prevent efficiency and ‘competitiveness’ in education, at least in the Nordic sociocultural context. The PISA results were a surprise also to the Finnish economic policy elite. For many years, they restrained the competition discourse in education policy. Research funded by SITRA on the Finnish information society model also concluded that in the information society a welfare state is possible and even “a decisive contributing factor to the growth of the new economy on a stable basis” (Castells & Himanen 2002, 181).

It should also be noted that Finnish comprehensive education does not come near the top in international comparisons in all respects. Students’ level of school satisfaction is poor and their interest in civic and political activities low (Torney-Purta et al. 2001). Lack of enjoyment of school may be linked to at least two factors, namely the relatively high demands placed by the school, at least in comparison with schools of other Nordic countries, and that in Finnish culture, it is not acceptable to take a positive view of life in an institution such as school. The dearth of political activity is understandable as a reaction, if not a downright hangover, of the effects of politicization or ‘over politicization’ of students in the context of the rise of Soviet Marxism-Leninism in the 1970s. In 1985, school councils, still operating in the other Nordic countries, were discontinued. Thus, there are no great barriers, in terms of school education, on young people being socialized into a new direction diverging from the Nordic model, although, for example, anti-globalization movements exist among the young.

So, if a new institutional path is in the process of emerging, its becoming established is nevertheless a long process. Djelic and Quack (2007) propose the concept of path generation to illustrate this gradual but consequential change. They also point to increasing interaction between national path
transformation and transnational path creation. However, sociocultural conditions to competitiveness have not changed in the Nordic and European context so far.

Conclusion
The Nordic education model, constructed simultaneously with the Nordic model of the welfare state and as a part of it, has largely retained its basic framework and structures on the socio-cultural level. An analysis of the case of Finland, however, shows that a change of direction has taken place in national economic and social policy. According to an institutional approach, it might be characterized as a path transformation, which is breaking the old path dependency and creating something new. The elements of the new path have been assembled from global or at least transnational sources, such as through OECD and EU. However, its breakthrough in economic policy has taken place under exceptional circumstances, during the deep economic depression of the 1990s.

Application of the new political strategy to education is not necessary or desirable in many respects, even with a view to the new goals of efficiency and competitiveness. Equity and trust generate social conditions of competitiveness. The welfare state model in the Nordic countries is ‘glocal’ in that it is simultaneously local and internationally successful. For the new path and model of competition state to become established, however, its long-term legitimization and accordant socialization are required. Education is very likely to be employed to this end. On the other hand, the situation may be changed by the seemingly unswaying support of the welfare state by the people and by the welfare society discourse. In this discourse, there are new participants like representatives of religious institutions, and new initiatives like citizen’s wage. One of the key questions is the value attached in the European Union to the Nordic model.

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References


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Table 1. Percentage of pupils in primary and secondary education by type of institution (OECD 2005; Arnesen & Lundahl 2006)

<table>
<thead>
<tr>
<th></th>
<th>Primary</th>
<th>Lower-secondary</th>
<th>Upper-secondary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>public</td>
<td>private</td>
<td>public</td>
</tr>
<tr>
<td>Denmark</td>
<td>88</td>
<td>12</td>
<td>77</td>
</tr>
<tr>
<td>Finland</td>
<td>99</td>
<td>1</td>
<td>96</td>
</tr>
<tr>
<td>Iceland</td>
<td>99</td>
<td>1</td>
<td>99</td>
</tr>
<tr>
<td>Norway</td>
<td>98</td>
<td>2</td>
<td>98</td>
</tr>
<tr>
<td>Sweden</td>
<td>95</td>
<td>5</td>
<td>95</td>
</tr>
<tr>
<td>OECD-average</td>
<td>90</td>
<td>10</td>
<td>86</td>
</tr>
</tbody>
</table>
Table 2. Residential area as a basis of choice by upper-grade basic school pupils, estimated by school principals (PISA 2003)

<table>
<thead>
<tr>
<th>Country</th>
<th>Residential area strongly influencing factor (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>59</td>
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<tr>
<td>Finland</td>
<td>67</td>
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<tr>
<td>Iceland</td>
<td>93</td>
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<td>Norway</td>
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<tr>
<td>Sweden</td>
<td>62</td>
</tr>
<tr>
<td>OECD average</td>
<td>43</td>
</tr>
</tbody>
</table>
Figure 1. Interrelations between equality, trust, innovations, and competitiveness (Helkama 2007).

(Arrows from equity to trust and innovation, from trust and innovation to competitiveness)