

most new jobs added over the last few years – in construction, professional services and in supervisory personnel – have been in categories that tend to pay above the median wage. Job losses, by contrast, have been centred disproportionately in factory jobs that pay below the median wage.

The Canadian economist Tim O'Neill offers another altogether different view of globalisation: that it has not really happened yet. He suggests that distance matters – irrespective of transportation costs – and that the magnitude of jobs shifted (e.g. from the USA to Mexico) has been radically overstated: 'The work to date on border effects suggests that globalization . . . is far less extensive than detractors and supporters alike have supposed'.

There is much else in this collection. The title may be a bit of a misnomer but it would be difficult to find one under which such a disparate collection of essays could be usefully grouped. Policy-makers will no doubt be distressed that 14 different economists have almost 14 different solutions to our current economic problems. Those of us who work in financial markets can console ourselves that different views (on the direction of stock markets, currencies or interest rates) are precisely what make those markets possible.

Matthew O'Keefe

Analyst

Société Generale

matthew_okeeffe@hotmail.com

EUROPEAN DAWN: AFTER THE SOCIAL MODEL

Johnny Munkhammar

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In the last 15 years the Swedish social model ('*Folkhemmet*') that was so admired by so many has been shown to have a flipside. Growth is low, unemployment is high, many people are dependent on the state and at the same time welfare services are falling apart.

Many European countries have looked to Sweden as a good example of a successful welfare state and in some cases copied parts of the Swedish social model or invented their own versions. Therefore, the malaise now is

common in many EU countries. Sweden has one of the highest tax rates in the world, which lowers growth, a regulated labour market, which discourages the creation of new jobs, and public monopolies that are unable to deliver the welfare services the voters have been promised. Between 1890 and 1950 Sweden was the world's fastest-growing economy. But since 1950 its annual growth has fallen below the average of the other countries; according to the OECD Sweden was the fourth-richest country in the world in 1975 but in 2003 it had slipped down to 14th. Yet most Social Democrats in the country still think Sweden is on the top and most politicians defend its 'social model'. The well-needed reforms the liberal-conservative coalition government tried to implement between 1991 and 1994 merely scratched the surface of the problems. In this book Johnny Munkhammar shows that the Model isn't the solution to Sweden's problems – it is the problem.

The whole of Western Europe is in deep trouble. International competition and the demographic situation dramatically increase the need for radical reform. Without reform the social model will collapse and cause immeasurable damage to the European countries. However, Munkhammar shows that if we decrease the size of the state and liberate the citizens' creative capacity, Western Europe will face a new dawn. We can follow in the footsteps of other countries that have taken the same path with great success. For example, reforms have been carried out by New Zealand, the Netherlands, Finland and Ireland as well as many of the Eastern and Central European countries.

The success of such reform can be stunning. Back in 1975 Ireland was ranked 22nd in the world in terms of income per head and was widely seen as a sleepy backward economy. Today Ireland is the fourth-richest country in the world. The big difference is that Ireland really made the Thatcher-influenced revolution that Britain only thought it had. Ireland has slashed the size of the state from 55% to 35% of the economy since the early 1980s. This ignited a long boom which has seen the Irish economy grow by more than 10% in several years. Britain's public spending has varied up and down between 40% and 50% of GDP. And therefore Britain is still struggling. Even though the economic reforms that Thatcher introduced had a positive impact on economic growth and

employment, and the successors have not altered many of the fundamentals of the reforms, more is needed to ensure that Britain and the other European countries enjoy continued prosperity.

In *Beyond the European Social Model* (Open Europe, 2006), Martin De Vlieghe agrees with Munkhammar that Europe's politicians should avoid the Scandinavian countries' mistakes and go for a more flexible labour market, lower taxes and reduction of the fiscal burden. Chresten Anderson concurs that the Nordic countries need much more market-oriented reform. And as always, one solution doesn't fit all.

The book is filled to the brim with facts. Even if the facts often speak for themselves the author always adds interesting analysis that shows what should be done and why. All it takes to get on the right track is political will and politicians that have the guts to go through with it. If the EU is to help its member states to undertake economic change, discussion in Brussels should be focusing on cutting trade barriers, stopping regulation and lowering taxes.

One thing that would have made the book better would be more clarity in terms of which countries are shown in the tables and figures. When the countries under comparison differ between different tables and figures it is hard to get a grip on the material and it can give the impression that the selection of facts is made to fit the argument.

Munkhammar's book is intended to inspire reforms, to provide an understandable analysis and to encourage an open debate. It is mostly written for undergraduate students, persons interested in social systems and economic growth and of course politicians seeking arguments in favour of reform.

It is good that the failure of the Swedish model now is open to debate and that other countries can learn of the mistakes and start to implement free-market solutions. This book is a part of that path.

Anna Hård af Segerstad

Fellow

Captus, Sweden

anna.hard.af.segerstad@moderat.se

NEOCONSERVATISM: WHY WE NEED IT

Douglas Murray

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