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Competition, Collaboration, and Life Satisfaction Part 2. The Fundament of Leadership – Collaborative Advantage



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Abstract. The first part of the paper showed that the group of seven European countries leading in the life satisfaction index (happiness index) significantly outperformed other Western nations, including the United States, in the development of economic and political institutions. The Seven includes Denmark, Norway, Sweden, Finland, Iceland, Switzerland, and the Netherlands. The second part examines what qualitative features of socio-economic and political mechanisms provide leadership. It is noted that attempts to explain this phenomenon by the low size of population and its homogeneity, as well as by the small area of these countries, are inadequate. The notion of collaborative advantages is introduced, understood as relatively more developed mechanisms of collaboration in the economic, social and political spheres. Based on three different classifications of types of capitalism and on an analysis of the history of countries of the Seven we show that they have reached the leading positions due to collaborative advantages. These countries are coordinated market economies, their economic systems are characterized as stakeholder capitalism, and their political systems are consensus democracies. The Seven of European Leaders carry out reforms aimed at improving collaboration mechanisms and, as a consequence, are less affected by the crisis of competitive institutions observed in Western societies. The presented results support the hypothesis that the strengthening of the role of collaboration mechanisms while reducing the importance of competitive mechanisms contributes to higher life satisfaction. The experience of the

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Seven is used by other developed European countries as well. The question of how our findings can be used in choosing a catching-up strategy is discussed.

Key words: coordinated market economies, stakeholder capitalism, consensus democracies, collaboration, Nordicization, reforms, catching-up development.

Introduction

The first part of the paper showed that according to major socio-economic indicators the group of seven European countries including Denmark, Norway, Sweden, Finland, Iceland, Switzerland and the Netherlands significantly outperformed other Western nations, including the United States. The question arises as to what qualitative features of socio-economic and political mechanisms ensure such success. This question is the main subject under consideration in the second part of the paper.

To find the answer, we consider three well-known classifications of modern Western systems: liberal and coordinated market economies, shareholder capitalism and stakeholder capitalism, majoritarian and consensus democracies. In each pair, the former relies almost exclusively on competition mechanisms, and the latter – to a large extent on collaboration mechanisms. It turns out that in all cases, the Seven countries (if they were taken into account in the classification) belong to the first group. This observation will allow us to conclude that the leadership of the Seven is based on the advantages, which, unlike competitive advantages, are proposed to be called collaborative; they consist in more developed mechanisms of cooperation in the economic, social or political spheres. The term “cooperative advantages”, which is similar but narrower in content, has been used in a number of papers (Lei et al., 1997; Strand, Freeman, 2015). The historical roots of collaborative advantages will be examined and it will be shown that the process of their expansion is also taking place in a number of other countries, including European ones. In addition, we will discuss how our findings can be used in developing catch-up strategies.

Simple but incorrect explanations¹

Sometimes the leadership of the Seven is explained by the low population and the small area of its member states. Indeed, these factors contribute to a relative ease of coordination of efforts and low transport costs. But there are also counterarguments: small countries have a narrow resource base, insufficient size of the domestic market and, as a result, lack of economies of scale, forced narrow specialization and high volatility of the business cycle.

However, we should note that the Seven countries are by no means anti-record holders in terms of population or area. In the list of 246 countries, the Netherlands ranks 70th in terms of population, Sweden ranks 90th and even Iceland – the most sparsely populated member of the Seven – ranks 184th². Among 50 European countries, the Netherlands ranks 12th and Sweden 17th in terms of population³.

In terms of area, among 193 countries, Sweden, Norway and Finland rank respectively 54th, 60th and 64th, while the UK is on the 77th place. Switzerland, the country with the smallest area among the Seven, ranks 132nd, above Belgium and Slovenia⁴.

¹ This section reproduces and somewhat clarifies the reasoning given in (Martela et al., 2020).

² See: https://ru.wikipedia.org/wiki/%D0%A1%D0%BF%D0%B8%D1%81%D0%BE%D0%BA_%D0%B3%D0%BE%D1%81%D1%83%D0%B4%D0%B0%D1%80%D1%81%D1%82%D0%B2_%D0%B8_%D0%B7%D0%B0%D0%B2%D0%B8%D1%81%D0%B8%D0%BC%D1%8B%D1%85_%D1%82%D0%B5%D1%80%D1%80%D0%B8%D1%82%D0%BE%D1%80%D0%B8%D0%B9_%D0%BF%D0%BE_%D0%BD%D0%B0%D1%81%D0%B5%D0%BB%D0%B5%D0%BD%D0%B8%D1%8E

³ See: <http://www.statdata.ru/europe-capitals-population>

⁴ See: http://ostranah.ru/_lists/area.php

According to calculations (Rose, 2006), population size does not affect economic development. However, in (Alouini, Hubert, 2012) a negative relationship was found between GDP growth rate and the size of the country calculated as a combination of population size, GDP and the area of arable land. However, for the states within the Eurozone this connection turns out to be positive and significant. Thus, the “smallness” of the Seven countries does not provide a satisfactory explanation of their leadership in socio-economic development.

There is also no reason to refer to the homogeneity of population of the Seven. Thus, 19% of Sweden’s population were born in other countries. In the ten “happiest” countries the corresponding share of population is 17.2%, twice the global average (Martela et al., 2020, p. 132). True, in the past, the Nordic countries were relatively homogeneous. But Switzerland is an example of a country that, since its formation, had different nationalities that spoke different languages.

In conclusion to this section let us consider another objection. It is generally believed that the Nordic countries have very high suicide rate per 100 thousand people. Does this not contradict the statement that their citizens perceive themselves as the happiest?

According to the 2021 data, in the list of 180 countries the Seven are located as follows: Finland – 25th, Sweden – 30th, Switzerland – 32nd, Iceland – 44th, Norway – 45th, the Netherlands – 46th, Denmark – 56th (the higher the rank, the fewer suicides). For comparison: the United States ranks 24th, Belgium – 17th, Slovenia – 16th⁵. The Seven states are not leaders in this regard, although suicide rate is really significant there.

In (Daly et al., 2011), as a result of econometric calculation, it was found that in “happy regions” the number of suicides is higher. This “dark contrast” is

confirmed by the data on European countries and U.S. states. The explanation is that people endure adversity more easily when they see that it is just as hard for others, and are more likely to despair when they see that others are happy. However, the paper (Pendergast et al., 2019) argues that there is no significant relationship between happiness indices and suicide rate for U.S. states.

We note that the number of homicides per 100 thousand people in the United States is 4.5–10.5 times higher than in the Seven countries, which, however (with the exception of Switzerland and Norway), lose out to Italy, Austria, Spain by this indicator⁶.

The data in Table 1 from the first part of the paper (Polterovich, 2022) indicate important features in the civic culture of the Seven: a relatively low level of corruption, higher generalized trust and trust in government. These countries have been increasing their competitiveness (Polterovich, 2022, Tab. 3) and catching up with the United States in terms of per capita GDP. The question arises: what features of the economic and political mechanisms helped them to become leaders?

To find the answer, let us turn in the next two sections to three well-known classifications of modern Western systems. According to the first one, liberal market economies and coordinated market economies should be distinguished (Hall, Soskice, 2001), the second one distinguishes between shareholder capitalism and stakeholder capitalism (Strand, Freeman, 2015), and the third one considers two types of democracy: majoritarian and consensus (Lijphart, 2012). We will show that the United States differs significantly from the Seven in the structure of mechanisms for coordinating economic and political interactions, which, apparently, explains the lag of the United States, recorded by numerous indicators.

⁵ See: <https://worldpopulationreview.com/country-rankings/suicide-rate-by-country>

⁶ See: <https://www.indexmundi.com/facts/indicators/VC.IHR.PSRC.P5/rankings>

Coordination of economic behavior and stakeholder capitalism

In the work (Hall, Soskice, 2001) it is proposed to distinguish between two types of capitalist systems depending on the nature of interactions between agents: liberal market economies (LME) and coordinated market economies (CME)⁷. In an economy of the first type, firms interact mainly on the basis of short-term contracts, focusing on market prices and other market signals. In a CME, firms coordinate their activity with each other, with business associations, with trade unions and banks on the basis of strategic interaction, including information exchange and negotiations. The U.S. is a typical representative of LME, as well as the UK, Canada, and Australia. All the Seven European leaders and a number of other states are CMEs, in particular Germany, Austria, Belgium (Hall, Gingerich, 2009, pp. 452–453; Hall, Soskice, 2001, p. 20). In these countries, collaboration mechanisms play a more significant role (Hall, Soskice, 2001, p. 8), mitigating competition and reducing public administration costs.

The paper (Iqbal, Todi, 2015) notes three main features of the Nordic countries that distinguish them from “standard capitalism”: high taxes, higher

level of development of the welfare state (health, education, unemployment benefits) and a more significant role of trade unions. It is no coincidence that the proportion of workers who are members of trade unions is higher in the Seven countries (*Table*).

The authors of the concept of coordinated market economy deliberately avoid considering the coordinating role of the state. We should emphasize, however, that in the Seven countries the state traditionally encourages coordination of private agents and, due to skilled management, contributes to economic growth. The authors of the paper (Jäntti et al., 2006), describing the role of the state in the formation of Finland’s economic miracle, indicate that the rapid growth of the Finnish economy in 1950–1970 was achieved due to the “direct intervention” of the state, which ensured a high growth rate of investments in key industries and a low interest rate for loans. At the initial stages, the state created and supported large companies and used production externalities. For example, by developing woodworking, it expanded the demand for metallurgy products, which in turn created conditions for the development of electronics. State-owned enterprises were

Trade union density, %

Country	Trade union density
Iceland	91.8
Denmark	66.5
Sweden	65.6
Finland	60.3
Norway	49.2
The Netherlands	16.4
Switzerland	14.9
U.S.	10.1
France	8.8
Source: https://stats.oecd.org/Index.aspx?DataSetCode=TUD Data as of 2018, for Sweden and Switzerland – as of 2017.	

⁷ The term “coordinated market economy” is sometimes translated as “координируемая рыночная экономика”. We also note that this term has a lot in common with the concept of corporatism.

established in metallurgy, electric power, and chemical fertilizer production (Jäntti et al., pp. 13, 15, 16).

Another typical example is the rapid development of the Norwegian economy after the discovery of oil fields in the late 1960s. Their development was carried out by Statoil, the company which remained in complete ownership of the state for almost three decades. Initially, oil extraction was carried out using British and American oil platforms. But gradually, thanks to the support of the state and with the participation of Statoil, Norwegian enterprises producing platforms were created, and the need to equip them served as an incentive for the development of the electronic industry in Norway (Ryggvik, 2015). By effectively harnessing natural resources, Norway has overtaken the United States in terms of per capita GDP.

Long before the paper (Hall, Soskice, 2001) that proposes to distinguish between liberal and coordinated market economies, a typology of Western systems, similar in many respects, was developed: shareholder capitalism and stakeholder capitalism. It emerged as a result of consideration of the issue of the company's targets. According to a postulate widely used in neoclassical theory, a firm, focusing on its shareholders, maximizes the discounted profit stream⁸. This assumption has been repeatedly criticized. According to an alternative concept, a firm's strategy should take into account the interests of not only its shareholders, but also all other stakeholders, i.e. agents somehow connected with the firm's activities: its customers, suppliers, creditors, employees, etc. (Strand, Freeman, 2015). Moreover, business should be socially responsible, i.e. contribute to the solution of social issues, in particular, take care of the environment.

As noted in (Strand, Freeman, 2015), the term "stakeholder" appeared in a memorandum of the

Stanford Research Institute in 1963 and in a book by Swedish economist Eric Rhenman published a year later. At the same time, neoclassical theory continued to dominate in the U.S. and in most Western countries for many years. Managers trained by its adherents act according to the standards of shareholder capitalism, which is very slowly transforming into stakeholder capitalism. One of the main signs of such a transformation is a more frequent cooperation between seemingly competing companies⁹.

Meanwhile, Rhenman and his followers created a school of researchers and teachers, which contributed to a much faster formation of stakeholder capitalism in the Nordic and some other European countries. Within the framework of this system, the success of a company is determined not so much by its competitive advantages, as under shareholder capitalism, as by cooperative advantages, i.e. the special ability of the corporation's managers to cooperate with all stakeholders, including potential competitors, and to form the most effective strategies based on this cooperation (Strand, Freeman, 2015). Unlike competition, which often turns out to be a zero-sum game, cooperation involves the development of solutions that benefit all participants.

The most important features of stakeholder capitalism are corporate social responsibility (CSR) and sustainability. The term "sustainability" means "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Corporate social responsibility is understood as "the responsibility of enterprises for their impacts on society" (Strand et al., 2015, p. 2). In the cited work, both terms are considered equivalent; however, in our opinion, the latter can be considered more general.

⁸ Sometimes another criterion that is similar in content – maximization of the share value – is used (Brandt, Georgiou, 2016).

⁹ This type of interaction was studied in the theory of co-opetition developed in the mid-1990s (Brandenburger, Nalebuff, 1996).

In order to compare countries by CSR, the work (Gjølberg, 2009) proposes an index that aggregates data on the country's enterprises. According to the calculations carried out for 20 developed countries, the top six places on this index were taken by the Seven countries (Iceland was not considered), while the United States ranked 20th. In the article (Skouloudis et al., 2016), the index was revised and calculated for 86 countries. This time, the six out of the Seven countries took places from 1st to 4th, 6th and 7th. Iceland occupied 54th position, and the U.S. was again 20th. Similar results were obtained with further improvement of the index calculation methodology (Amor-Esteban et al., 2019). In the work, it is called the National Corporate Social Responsibility Practices Index (NCSRPI) and is calculated for 29 countries, both developed and "catching up", among which Iceland did not appear. The other six countries of the Seven took the top six places, and the U.S. ranked only 16th, lagging behind Spain, France, Italy, and Germany¹⁰.

High corporate social responsibility, indicating a high level of corporate culture, is an important component of cooperative advantages of a business. To a certain extent, CSR indices can serve as a measure of advantages for corporations in a particular country. However, we should note that the ability to cooperate cannot be limited only to the circle of firms' managers. It must inevitably manifest itself in the behavior of politicians and government officials and in the construction of economic and political mechanisms. It is no coincidence that the Seven countries, which, as it was shown, rank top according to the level of CSR, are coordinated market economies. In this regard, it is advisable to introduce the concept of collaborative advantages.

We will say that country A has collaborative advantages over country B if the mechanisms of

cooperation in the economic, social or political sphere are more developed in A. This definition is consistent with a theory (Polterovich, 2015; Polterovich, 2018) according to which the role of cooperation mechanisms in the development process is growing due to the decrease in the importance of competition and power mechanisms.

Further, we will show how collaborative advantages manifest themselves in the design of political mechanisms.

Consensus political institutions

The most important feature of the civic culture in the Seven is clearly manifested in the structure of their political mechanisms. To verify this, let us turn to Lijphart's classification (Lijphart, 2012), which distinguishes between majoritarian and consensus democracies. In order to characterize the differences between them, Lijphart designs two indices. The first (EP) reflects the relationship between the executive and political parties (executives-parties dimension), and the second (FU) – the relationship between the central government and regional administrations (federal-unitary dimension). Each of the indices is an aggregate of five differences. The EP dimension makes it possible to clearly divide democracies into two groups – majoritarian and consensus.

A majoritarian democracy is characterized by the dominance of two parties in parliament and the formation of one-party governments, the superiority of the executive power over the legislative power, and the overall competition of interest groups.

Consensus democracies usually have some variant of proportional representation; the parliament and the government include representatives of many parties, there is a balance of executive and legislative power, there is a corporatist system of relations between interest groups aimed at finding a compromise and coordinating their actions. Lijphart shows that approaching consensus democracy with the help of the EP dimension has a positive effect on government efficiency, corruption, the rule of law, crime, and the risk of conflict.

¹⁰ The information for the calculation was obtained from the Ethical Investment Research Services (EIRIS) database. Based on its own research, EIRIS provides investors with information about corporate social, environmental and ethical policies and practices.

Changing the second dimension does not provide unambiguous results. According to the values of the first dimension, all the Seven European leaders are consensus democracies, as well as Austria and Germany. The United Kingdom and the United States find themselves in the group of majoritarian democracies.

Lijphart wrote: "...the majoritarian model of democracy is exclusive, competitive, and adversarial, whereas the consensus model is characterized by inclusiveness, bargaining, and compromise" (Lijphart, 2012, p. 2).

High level of collaboration – historical heritage

Trying to explain the specific features of the civic culture in the Nordic countries, some authors turn to their history, noting that they shifted to capitalism, bypassing the stage of feudalism, so they managed to avoid the times of fierce class struggle; contradictions between the elite and the masses were resolved through the formation of institutions that ensured the search for compromise solutions (Rothstein, Uslander, 2005; Pratt, 2008; Martela et al., 2020; Sunde, 2021). The geographical factor is indicated as the most important reason for such an unusual development path. Most of the territory of the Nordic countries was covered with forests, the terrain was mountainous, and the coastline was winding. The population was engaged in hunting and agriculture on not too fertile lands. Aside from trade routes and in the absence of large mineral deposits, urbanization was extremely slow. The life of the scattered settlements was controlled by people's assemblies. Self-governing communities resisted the appropriation of their land by representatives of the elite. It turned out to be easier for governments to interact directly with the organized peasantry, including when collecting taxes, than to transfer land into the possession of close associates. Representatives of noble families held administrative posts (Rothstein, Uslander, 2005, p. 57; Sunde, 2021, pp. 56–57).

The result of the existing institutional structure was a high level of generalized trust and trust in government. Cooperation was facilitated by low inequality, which was supported by social norms. Thus, in Sweden, the attempts to stand out from the general mass were condemned (Pratt, 2008, p. 125).

The formation of the welfare state began in most European countries after the Second World War. In Nordic countries (except Finland) this happened much earlier. Already in 1928, Swedish Prime Minister Albin Hansson defined his country as a "Swedish people's home" based on a common culture and feelings, where there are no privileged or undervalued, where no one tries to gain an advantage at the expense of others (Pratt, 2008, p. 127).

Let us now turn to the historical roots of the collaborative culture of Switzerland and the Netherlands.

Switzerland as a nation state is a unique phenomenon. The republic was formed despite radical linguistic and cultural differences of its constituent parts, cantons. Trying to explain this phenomenon, the authors (Linder, Mueller, 2021) indicate economic ties between the cantons and the need to protect themselves against encroachments of major powers as the main factors contributing to the unification.

The small cantons lacked the resources to create full-fledged states. Public works, such as building roads, "were done on a community basis: every adult man was obliged to work for several days or weeks a year for the common good... Farming in rural regions and crafts in the cities were bound up in organizations which required collective decision-making. This... promoted communalism" (Linder, Mueller, 2021, p. 27).

Switzerland managed to prevent external interference thanks to the policy of neutrality, which turned out to be beneficial to its neighbors – France, Germany and Italy. The sense of unity was gradually strengthened due to the emerging

traditions. Thus, since 1981, the Swiss have been celebrating the conclusion of an alliance between three local leaders dating back to 1291 (Linder, Mueller, p. 28).

Currently, Switzerland consists of 26 cantons with different languages and denominations. The difficulties associated with heterogeneity were overcome by creating a non-standard organizational structure of the State based on the principles of consensus democracy and on granting broad autonomy to the cantons. We note three features of the Swiss decision-making system. Firstly, a significant role in it belongs to referendums, which can be held both by virtue of the requirements of the law and on the bottom-up initiative. Secondly, a “double majority” requirement applies in referendums on amendments to the Constitution. This means that in order to make a decision, it must be supported not only by a majority of all those who voted, but also by a majority of those who voted in most Swiss cantons. This eliminates the situation when the decision is made in favor of several large cantons. Thirdly, in Switzerland, the change of the president (he is also the head of government) takes place every year. The president is elected by the highest legislative body of Switzerland, the Federal Assembly, from among the members of the Government elected by the Federal Assembly – the Federal Council. The Government consists of two representatives of each of the three parties that received the majority of votes in the parliamentary elections, and one representative of the party that ranked fourth. Each of the seven members of the Government heads one of the seven ministries. The President, who is also head of the Government, performs coordination and representational functions. The rotation of the duty and the organization of discussions contribute to the adoption of decisions close to consensus¹¹.

¹¹ We note that this decision-making system is close to a two-tier collaborative hierarchy, see (Polterovich, 2021b).

The Swiss experience shows that effective coordination of interests is possible even in societies characterized by a high degree of linguistic and confessional differentiation.

In the Netherlands, as in the Nordic countries, the geographical factor influenced the development of civic culture. More than 55% of the Dutch territory is at risk of flooding, and regular construction of dams and protective structures was required to prevent them. In the Middle Ages, the relevant work was carried out by the residents of the coastal areas themselves, and coordination was carried out by special water boards. But as technology improved and the market developed, these councils began to switch to hiring third-party workers whose pay came from the taxes levied from owners of coastal plots. At the same time, the financing of the work depended on the state of the economy. When labor prices increased or economic conditions worsened (including as a result of military clashes), the amount of taxes collected became insufficient. This occasionally resulted in serious losses (Soens, 2013; Avoyan, Meijerink, 2021). The situation changed dramatically after the catastrophic flood of 1953, which claimed the lives of more than 1,800 citizens. The Delta Plan was developed for the construction and strengthening of dams, barriers and locks. Initially, a centralized management system was created for its implementation. However, over time, the role of the government declined. The modern system provides for the interaction of the country’s government, provinces, municipalities and regional water management bodies, as well as their cooperation with other state bodies, private structures, and civil society organizations. It is largely based on the principles of collaborative management (Avoyan, Meijerink, 2021).

The need to combat floods is only one of the factors that led to the formation of the Netherlands as a member of the Seven. It would be relevant to investigate the reasons why the Netherlands

embarked on the path of capitalist development earlier than other European states. The Republic of the United Provinces (Dutch Republic), which emerged in 1581 as a result of the Dutch Revolt, “was a singular phenomenon among the more or less absolutist monarchies of the period. The Republic was a highly decentralized, commercially oriented league of towns and provinces, doing without a head of state, without a ruling aristocracy, without a state bureaucracy, ... without a nobility of any consequence” (Aerts, 2010, p. 213).

During the following centuries, civil society was actively formed in Dutch cities; there emerged the district associations of residents, providing mutual assistance and security, and numerous clubs and associations of interests.

The first Constitution of the Netherlands was adopted in 1814. The Constitution of 1848, which remained in force for 135 years, turned the Netherlands into one of Europe’s first constitutional monarchies with a parliamentary democracy.

As a result of the 2021 election, representatives of 17 parties filled the seats of the Second Chamber in the parliament of the Netherlands. For many decades, no party has been able to achieve an absolute majority, so coalition governments are a common thing there. Both the parliament and the government of the country actively interact with civil society organizations, including business associations and trade unions.

Thus, the collaborative advantages of the Seven countries have historical roots. They proceed, at least in part, from specific historical and geographical factors. However, we should emphasize that the absence of such conditions is not an absolute obstacle for other countries to follow the example of the leaders. A number of works emphasize that the Scandinavian countries, despite their relatively small size, have a significant impact on the policy of European states (see the analysis and references in (Long, 2017)). In (Elgström, Delputte, 2016, p. 10)

it is noted that “the Nordic countries, or some of them, have acted as norm entrepreneurs within the EU, changing the priorities, positions and perhaps even values of fellow member states”.

The study of the legislation of ten European states, of which only three are among the Seven, has shown that the systems of their rules promote the formation of cooperation relations between authorities, civil society organizations and business (Batory, Svensson, 2020).

Fighting the crisis: Improving cooperation mechanisms

As we already noted, Western political systems are currently in a deep crisis (see the analysis and references in (Polterovich, 2021a)). We are witnessing an increase in protest sentiments and the rise of populist destructive movements, while at the same time citizens’ trust in governments reduces, as well as their participation in elections. The degrading political elite often demonstrates the inability to find effective compromise solutions, and the focus of political debates shifts from development programs to the defamation of competitors. The political crisis is directly related to the crisis of the welfare state that proved unable to prevent the growth of inequality.

Due to the specifics of civic culture, economic and political mechanisms, the Seven countries turned out to be more ready to overcome the crisis than other Western states.

According to (Aerts, 2010), Dutch citizens place a high value on democracy, but only partially associate it with politics. “In their view, democratic achievements such as equality, freedom of expression, self-fulfilment and prosperity are embedded in society and culture”. Moreover, the author argues that they “dislike politics” (Aerts, 2010, p. 236) and considers the observed opposition of democracy and civil society as a paradox (which is reflected in the title of the article). In our opinion, there is nothing paradoxical here. A developed civil society is based on cooperation, and modern

democracy, even consensus democracy, relies to some extent on competitive mechanisms that are experiencing a crisis.

Aerts' observation concerning the Netherlands echoes the conclusions of the article (Kübler et al., 2020) devoted to the introduction of participatory governance in the regions of Switzerland. Participatory governance implies the involvement of groups of citizens, including business representatives, in the decision-making process, in particular, spatial planning, environmental protection, youth issues, as well as the elaboration of a common development strategy. The authors find that such reforms are most intense in municipalities characterized by acute contradictions between political parties and a lower level of political decentralization: in them, the legislative body is the parliament rather than the people's assembly that includes all citizens¹².

It can be assumed that a similar attitude – a mass preference for cooperation over competition – is also typical of other Seven countries and that it is precisely this attitude that is the most important factor in overcoming the crisis.

Denmark, Iceland and Sweden maintain a very high level of participation in elections – 85–90%. In Norway and Finland, there is a relatively small decrease – to 80 and 70% respectively (Hopmann, Karlsen, 2021). In the Netherlands, a significant proportion (78.7%) of voters participated in the election to the House of Representatives in 2021. The exception is Switzerland, where only 45.1% of voters participated in the election to the National Council in 2019, which is close to the American level. Nevertheless, Switzerland ranks first in terms of trust in government among developed countries (see Tab. 1 of the first part of the paper). Perhaps the relatively low participation of the Swiss in the election is due to the fact that in this country the most important issues are put to referendums, the number of which has recently increased. Thus, in

2020, popular votes were organized on nine issues, voter turnover averaged 52.6%; it increased slightly, amounting to 56.5% for eight referendums in 2021¹³.

Having suffered less from the crisis than others, the Seven countries are making every effort to overcome it.

In the 1980s and 1990s, the economic policy of Western countries was based on the *laissez-faire* ideology, according to which, in order to ensure rapid economic growth, it is necessary to develop competition and minimize the interference of the state in the economy. Of course, in practice such interference has never stopped, but the industrial policy agenda has hardly been touched upon in strategic documents, despite the research of a number of economists who demonstrated that this tool should not be abandoned.

In line with the ideology of the minimal state was also the New Public Management (NPM) paradigm, which originated in the UK (McLaughlin et al., 2002). It became the basis of administrative reforms carried out in many countries. According to the paradigm, the administrative system should be guided by the same principles as the private sector. Instead of a rigid hierarchical organization, it was proposed to create a system of agencies with non-overlapping powers to provide services to people. The effectiveness of the agencies had to be regularly evaluated by comparing costs and results. It was proposed to privatize state property; and the possibilities of a policy to stimulate economic growth turned out to be very limited. However, by the mid-2000s, more and more evidence began to appear that NPM methods did not lead to the desired result. The Post-New Public Management concept has emerged, focusing on vertical and horizontal cooperation of government agencies and other organizations with each other and on involving consumers of services in the decision-making process (Klenk, Reiter, 2019).

¹² Swiss municipalities have either parliamentary or direct democracy (Ladner, 2005, p. 103).

¹³ See: <https://www.bfs.admin.ch/bfs/en/home/statistics/politics/popular-votes.html>

The 2007–2008 crisis significantly contributed to the promotion of the concept and the change of the dominant ideology. In 2010, the European Commission published a communication to the European Parliament and other supreme bodies of the European Union on a new industrial policy in the globalization era. It formulated two fundamental principles of such a policy: the need for coordinated measures aimed at the development of all sectors of the national economy with an individual approach to each of them and the formation of value chains from energy production and raw materials to recycling and maintenance of trade relations¹⁴.

Over the past 15 years, the European Commission, the highest executive authority of the European Union, has been focusing on improving public administration in EU member states. To achieve this goal, the European Social Fund (ESF), the European Regional Development Fund (ERDF) and the European Structural and Investment Funds (ESIFs) have allocated significant amount of financing. The European Commission synchronized these efforts and initiated the EUPACK¹⁵ project to study the results of the reforms (Thijs et al., 2018, p. 3).

Within the framework of this project, the quality of public administration in 28 EU member states was assessed by 23 indicators. The information was obtained from official sources and surveys of officials. Four of the Seven countries: Denmark, Finland, the Netherlands and Sweden, which are EU members, turned out to be leaders in the quality of administration. The table that sums up the results (Thijs et al., 2018, pp. 78–79) shows that Denmark

¹⁴ An Integrated Industrial Policy for the Globalization Era. Putting Competitiveness and Sustainability at Centre Stage. Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. European Commission, Brussels, October 28, 2010. P. 4. Available at: <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2010:0614:FIN:EN:PDF>

¹⁵ European Public Administration Country Knowledge.

took one of the top five places in 20 indicators out of 23; Finland, Sweden and the Netherlands – in 19, 15 and 12 indicators respectively. They are followed by UK and Luxembourg with this indicator equal to 10, and by Estonia that scored six points. We should particularly note the indicator “societal consultation” obtained on the basis of respondents’ answers to the question “Does the government consult with economic and social actors when developing its policy?” According to this indicator, Denmark, Finland and the Netherlands shared places from 1st to 3rd, and Sweden ranked 4th.

Collaborative advantages in catch-up development

Institutions, civic culture and the level of welfare are closely related to each other. That is why modern developed countries had to travel such a long and difficult path to reach the current level. Only a few states have managed to significantly accelerate their catch-up development and implement an economic miracle over the past 75 years, and almost all of them have used similar strategies. At the initial stage of the economic spurt, they created a system of catch-up development institutions capable of launching and maintaining rapid economic growth for some time in conditions of a low level of civic culture and an inefficient market. This system was based on the principles of corporatism in the spheres of political and economic management and included a general development agency that stood above the ministries, indicative planning, and a national innovation system aimed at borrowing technologies with a gradual transition to catch-up development. The initiator was the state that managed to overcome the temptation to impose its policy and not only sought to attract the private sector to cooperate with government agencies, but also supported cooperation between private firms (Polterovich, 2016).

It is interesting to compare the policy of economic development of the countries of Europe

and the countries of the economic miracle. Corporatism is present in both cases. At the same time, it is inherent in the Seven countries. The indicative planning system in the countries of the economic miracle, headed by the general agency, promoted cooperation between the state, business and civil society, covered the entire national economy and ensured the formation of value chains. The similarity between its functions and the recommendations of the European Commission is undeniable, although European countries can rely more on a culture of cooperation and are able to design and implement plans with more economical means, relying on modern information exchange systems and modeling techniques. It can be argued that the success of the countries of the economic miracle is based on their collaborative advantages.

Having made a “breakthrough”, these countries borrowed competitive economic and political mechanisms, joining the pool of developed countries and thus finding themselves exposed to a crisis after some time. An important question is whether it is possible to avoid the stage of dominance of such mechanisms, or at least significantly reduce it¹⁶. In this regard, the experience of Slovenia is of particular interest. The paper (Bohle, Greskovits, 2007) emphasizes the social cohesion typical of Slovenia and notes that “Slovenia is exceptional among all East European countries in that it could pursue its transformation largely based on national institutions and actors” and managed to build a neo-corporatist regime typical of small West European states (Bohle, Greskovits, 2007, p. 106).

We should also note that the tradition of cooperation, the importance of which was emphasized above, existed in Russia; this, by the way, was reflected in the Russian philosophical thought (Kirdina-Chandler, Hall, 2017). Strengthening

this tradition in the new conditions is a task of paramount importance.

Concluding remarks

In the works (Polterovich, 2015; Polterovich, 2018) we show that there is a long-term trend of substitution of mechanisms of competition and power by mechanisms of cooperation. Meanwhile, the events taking place in recent decades in a number of countries, especially in the U.S. and the UK, would seem to call this thesis into question: the crisis of political and economic institutions in these countries is accompanied by increased competition. Nevertheless, as demonstrated above, there is every reason to believe that this trend will continue. The most advanced Western countries – the Seven European Leaders – indicate the way to overcome the crisis by strengthening cooperation mechanisms. Their example also influences the strategies of other advanced countries.

The problems associated with terrorism, refugee flows and epidemics indicate that the task of reducing cross-country inequality is one of the central ones for the world community. Understanding this back in 1960 led to the unification of a group of developed countries, which in 1961 was named the Development Assistance Committee. The Seven countries are its active members. In 2019, among the 29 members of the committee, Norway, Sweden and Denmark ranked 2nd–4th in terms of the share of GNP provided as state aid to developing countries, the Netherlands and Switzerland ranked 7th and 6th respectively, and Finland and Iceland – 11th and 15th, while the United States ranked only 23rd. In the work (Elgström, Delputte, 2016, p. 3), it is noted: “Denmark, Finland, Norway and Sweden stood out as generous donors, driven by solidarity, altruism, moral and humanitarian concerns, rather than material interests”. The authors show that the current level of assistance to developing countries has been achieved largely due to the influence of Nordic countries, calling this process “Nordicisation”.

¹⁶ In this regard, we note the work (Suslov, Basareva, 2020) that analyzes the economic policy of Sweden, Norway and Finland and the possibility of applying their experience to Siberia.

A similar idea underlies the paper (Jakobsen, 2009), where it is revealed that the Nordic countries play a significant role in shaping security policy in Europe due to the ability of their representatives to organize cooperation.

The Seven countries were ahead of other Western countries in implementing the general trend of development – the replacement of competition and power mechanisms by cooperation mechanisms. The results presented above give every reason to believe that it is the collaborative advantages that determine their leadership in their citizens' life satisfaction. The Seven belong to coordinated economies and consensus democracies – groups of countries where the role of cooperation in the relevant field is relatively higher, and the role of competition and power is not so great. High levels of collaboration (the desire for cooperation and the ability to cooperate) and civic culture in these countries in general ensure the effectiveness of decision-making systems and, consequently, high welfare.

The above analysis confirms the thesis that competition mechanisms as the basis of the organization of modern Western society are gradually becoming obsolete.

The United States is still a leader in the creation of new technology, but in terms of the overall level

of socio-economic development it is increasingly lagging behind the Seven countries, which are much less affected by the crisis and are actively looking for ways out of it.

From a leader who showed the way to other countries, as the United States was after World War II, it turned into a state that seeks to maintain its own advantage by hindering the development of other countries and thereby contributing to the intensification of crisis phenomena in the world. But all empires collapse sooner or later. In the case of the United States, this will mean abandoning the intention of the next president to “make America great again” by any means. It follows from the above analysis that Europe, based on the experience of the Seven, could become a new leader who would stand at the helm of the movement of the world community toward cooperation. We are convinced that, despite all the obstacles, Russia will still have a chance to conclude an alliance with Europe, and it should not be missed. How to combine the need to improve competitive economic and political mechanisms in today's Russia with the prospect of their subsequent decline in importance is a problem that needs to be carefully elaborated on.

We hope that the findings of our study will contribute to its solution.

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