1. Introduction

All the members of human society stand in need of each other's assistance, and are likewise exposed to mutual injuries. Where the necessary assistance is reciprocally afforded from love, from gratitude, from friendship, and esteem, the society flourishes and is happy. All the different members of it are bound together by the agreeable bands of love and affection, and are, as it were, drawn to one common center of mutual good offices.¹

1.1 THE SCANDINAVIAN PUZZLE

For a long time, it was an empirical puzzle for entomologists how bumblebees could fly. They seemed to be too heavy and their wings too small.² A similar conundrum applies to the Scandinavian welfare states of Norway, Sweden, Finland and Denmark, which are all weighed down by heavy public expenses. Here, something akin to the mysterious flight of the bumblebee can be observed too. These four Scandinavian welfare states are among the most successful countries in the world, situated at the top of the list of GDP per capita, and have been so for decades. Examples abound of the Scandinavian welfare states being highlighted as exceptional, in terms not just of strict economic performance but also of a wide range of other areas such as social trust, happiness, non-corruption, research output, use of internet and so on³ (Sørensen 2012, 2014).

In *The Wealth of Nations*,⁴ Adam Smith wondered why wealth can be detected in one part of the world, but not in another. Had Adam Smith lived today, he would probably also have wondered why Scandinavia is so wealthy. Denmark exemplifies this Scandinavian puzzle of economic success. Compared to countries like China, India and the United States, Denmark is a small, urbanized country. It is a constitutional monarchy, with a relatively homogeneous population of 5.7 million, of whom 88 percent are native Danes, 9 percent

migrants and 3 percent descendants of migrants.⁵ Population density is quite high – 132 per square kilometer.

The economic performance of a country like Denmark, which relies almost solely on human resources, is quite impressive. In a World Bank GDP ranking calculated for the period 2010–14 and including 248 countries, Denmark was ranked number 20, with \$44863 per capita – in spite of strong free-rider incentives. This also goes for the three other Scandinavian countries, which were ranked 7 (Norway), 17 (Sweden) and 26 (Finland).⁶ Similarly, the Scandinavian countries have some of the highest credit ratings in the world, something that bears witness to long-term political and economic stability.

The Danish economist Martin Paldam laconically observes that this economic success appears to defy the law of gravity, as the Scandinavian welfare states are constructed in such a way as to strongly reduce the incentive of agents to be efficient.⁷ This is so because taxes and transfers are the highest in the world, financing benefits for citizens with almost no insurance element involved, such as the pension system, child allowances, home help, student allowances, education, unemployment benefits, benefits for single parents, benefits for disabled people, housing benefits, early retirement benefits, the health sector, libraries and so on. In comparison, transfers from the rich to the poor in the United States, such as giving opportunities to poor children who “chose the wrong parents,”⁸ do not reach nearly the same level as in Scandinavia.

The Scandinavian welfare state is all in all a remarkable human achievement, where a substantial fraction of the total income is continuously transferred from the better off to the worse off.⁹ Among the extremely welfare-state-loving Danes, the ideology that the “Broadest shoulders must carry the heaviest burdens” (*De bredeste skuldre skal bære de tungeste byrder*) is an unquestioned and widely accepted norm, whether you belong to the left or the right of the political spectrum. As a consequence Denmark, as well as the other Scandinavian countries, has an unusually equal income distribution – at least after tax. Among the four countries, Sweden has the lowest Gini coefficient in the world (23.0), followed by Denmark at number 5 (24.8), Norway at number 6 (25.0) and Finland at number 10 (26.8).¹⁰

This renders it possible that, in Scandinavia, there is de facto equality of opportunity. The children of poor people have fairly the same

life chances as the children of rich people. However, does equality of opportunity gradually develop into one-sided *equality of outcome*, undermining meritocracy and thereby killing all incentives among a shrinking number of “draught animals” in the welfare state? As Doc in John Steinbeck’s *Sweet Thursday* says, “It’s fun to be the sucker, if you can afford it.” It is however no fun to be *forced* to be the “hard-rider” with the broadest shoulders, if you know that your money is allocated to free-riders who are having a party on your money.

1.2 STRONG INCENTIVES FOR FREE-RIDING

As we mentioned, for the economist the Scandinavian welfare states are almost as puzzling as the bumblebee is said to be to the experts in aerodynamics.¹¹ All things considered, the Scandinavian welfare states should in fact not be economically feasible. Paldam has stated: “The Cassandra of the welfare state – since the late 1970s – is the Swede Assar Lindbeck, who claims that the low level of incentives must eventually destroy the welfare state. He sees signs that this is already happening.”¹² Thus, from Lindbeck’s point of view, the Scandinavian welfare state bears the seeds of its own destruction.¹³ It pays to free-ride, get “money for nothing” from the generous state and, in sum, let others do the hard work for you.

It is in fact tempting for Danish citizens to stay passive on generous public benefits. Indeed, this is a concrete problem, mirrored for example in the great number of citizens on public transfer incomes, namely around 800 000 (not including pensioners and students), which is more than 14 percent of the whole population.¹⁴

If free-riding among net receivers were to occur on an escalating scale, taxation of income would eventually increase to 100 percent – in which case the “bumblebee” would certainly *not* fly. As the saying goes in Denmark, the recipients might easily get “money for nothing” when the money is given to strangers.¹⁵ Other popular expressions are “No worries, the system will pay you” (*Ingen kvaler, systemet betaler*), “Get money for sleeping long hours” (*Få penge for at sove længe*), “Better to be unemployed than sweaty” (*Hellere ledig end svedig*), “Let others do the hard work” (*Lad de andre tage slæbet*) and “Enjoying without contributing” (*Nyde uden at yde*).

When the defining aspect of the universal welfare model is the fact that access to welfare arrangements is an individual right, there is no

direct linkage between entitlements and financing at the individual level.¹⁶ In typical economic transactions, the main principle is *quid pro quo*, that is, reciprocal balance. However, in the universal welfare state, the principle approximates to *quid pro nothing*, because the receiver-citizen is not forced to reciprocate to an unknown giver-citizen. In this way, moral hazard problems arise: "Any insurance contract has moral hazard problems if the insurance is against contingencies that can be affected by the insured. In this respect, the attitudes and norms associated with receiving social assistance play a key role."¹⁷

Hence, the insurance system works only if a strong norm prevents free-riding. Andersen continues: "Norms may change over time [which] can lead to rapid changes in the scope for welfare policies by leading to unsustainable combinations of transfer levels and taxes . . . The change in norm may be an inherent consequence of the way in which the welfare system is organized."¹⁸

If the fundamental welfare norm saying that everyone should contribute when capable is weakened over time, the Scandinavian welfare state would soon end up in a vicious circle where taxation of income would eventually reach 100 percent, resulting in the collapse of the bumblebee. The public sector is already enormous, with around 760 000 employees, which amounts to 35 percent of the workforce. The Danish budget for public expenses in 2015 was €136 billion, accounting for near 60 percent of GDP, which is a clear world record. Hereof 44 percent went on social benefits. There was an expected deficit of €8 billion.¹⁹ In such a society, where the working population is extremely heavily taxed, further increases in taxes going to further public expenditure would make people stop trusting that their co-citizens in general would contribute to the welfare state system, *especially* if free-riders were no longer stigmatized, punished and minimized in number. Trusting that most people will in fact contribute to the common pool of resources is a necessary condition for the provision of collective insurance systems and other collective goods. In the long run, if people repeatedly break your trust and therefore are not worth your trust, you will simply stop trusting them. This economic vulnerability is exacerbated by the current migration flows from non-Western countries to the EU, including the Scandinavian countries. Together with Germany, these countries are particularly interesting to refugees and migrants who not only look for safe, tolerant and well-functioning societies, but

also societies with generous welfare grants. This is not least the case with Sweden. Thus in 2015 around 200 000 migrants are expected to arrive in Sweden. The costs are estimated to be more than €20 billion over the next three years – money that only covers the costs for receiving these people and giving them provisional shelter, including building camps of tents (Winther, 2015). There are of course positive sides of migration. However, it is evident that the costs of receiving, supporting and integrating migrants in the universal welfare state are huge, especially in the case of large-scale migration from non-Western countries.

In the Scandinavian languages, the word “blue-eyed” (*blåøjet*) has a double meaning. Apart from denoting a person’s eye color, to be blue-eyed means that you trust “too much,” that you are terribly naive and therefore risk getting cheated like a child. Many Scandinavians, although blue-eyed and generally trustful, are nevertheless fully aware of the “chink in the armor” of their welfare state. This partly explains why for example the Danish media are quite attentive to cases of free-riding and cheating, as illustrated by the widely known cases of “Lazy Robert” (*Dovne Robert*) and “Poor Carina” (*Fattig Carina*). Lazy Robert was a man of about 40 who in a television program in 2012 openly confessed – and, even more provokingly, bragged about – that he preferred to stay on public transfer income rather than taking a low-wage job. Poor Carina was a 36-year-old woman who in 2011 was presented in the media by a Danish left-wing party member as an example of a supposedly “poor Dane” who received insufficient public support. However, it turned out that the single mother Carina – like Robert poorly educated, permanently unemployed and on public transfer income – was not that poor, having a monthly income after tax of €2108 and an available income of €675 (after paying all her expenses apart from food and clothes).

In short, Denmark looks like a true paradise for free-riders who dream about having a risk-free party on other people’s money. Danes are however (still) characterized by a Protestant work ethic, as reflected in numerous sayings such as “Contribute before you enjoy” (*Man må yde før man kan nyde*) and “Idleness is the root of all evil” (*Lediggang er roden til alt ondt*). Even today there is strong social pressure from the large majority who think it is better to work and contribute rather than solely enjoy. In fact, there is good news: Lazy Robert has recently found a job!

1.3 CONTRIBUTION

In a previous book, we traced the historical roots of how social capital – economically beneficial cooperative networks – was built historically in Denmark, going back to the many civic movements in the latter part of the nineteenth century.²⁰ In this book we change the focus to contemporary cases, mostly from rural Denmark. In a “from-within” perspective, we attempt to show how social capital based on specific and social trust – and an underpinning trust culture – is actually used. We also show that, when used, social capital seems to counteract free-riding and encourage *hard-riding*, a term we in the following will use for citizens who make extraordinary contributions to collective good provision. We argue that it is exactly this inter-linkage that very likely explains the flight of the bumblebee and the role of social capital in generating wealth in society.

This is done within a neo-capital framework, which we elsewhere have termed *Bourdieuconomics*, in honor of Pierre Bourdieu (1930–2002), who sought to revolutionize formerly positivistic capital theory.²¹ We have found unsatisfactory the old positivist explanation that this wealth – products of invested human time and energy accumulated through history – can only be transmitted in physical bodies (machines, buildings, land, monetary assets and the like).

In our view, Bourdieu succeeded in transcending this narrow materialistic approach of mainstream economics by enlarging the study of capital to include both tangible *and* intangible forms, which are constantly being accumulated, utilized, converted and transmitted at both the micro level (by single actors) and the meso level (for example by firms). He even outlined a new socio-economic human science, which he termed “a general science of the economy of practices,” making the point that, *in practical life*, people build and use both tangible capital as economic capital and intangible capital as social, cultural and symbolic capital.²²

Overall, we hope to realize Bourdieu’s seminal idea of expanding capital theory by studying intangible forms of capital as well at the micro level.²³ Using various methodologies on the same phenomena, we use the mixed methodology of rational choice, historical method, statistics, and in-depth interviews.²⁴ Trust between people basically takes place at the micro level. It is far from enough just to use aggregated data at the macro level to infer how people actually interact in everyday life.²⁵ So, in an attempt to add this missing “micro”

perspective, we explore how social capital paves the way for win-win cooperation in practice. We find that the Scandinavian “bumblebee” is able to fly because of the presence and use of social capital in Scandinavia, that is, what we above termed the social capital “motor” of the universal welfare state. Furthermore, in order not to crash, this motor needs to be continuously lubricated by trust.

1.4 MAIN RESEARCH QUESTION

Against this background, the overall main research question becomes how social capital actually works *in practice* in the Scandinavian universal welfare state of Denmark. Hence, using case studies from the voluntary, public and private sectors in Denmark, we attempt to answer the following main research question:

How is social capital used in practice to generate wealth in contemporary Denmark?

1.5 OUTLINE

In answering this question, Chapter 2 starts by developing a theoretical framework of Bourdieueconomics based on the neo-capital theory of Bourdieu. Then we argue that, overall and seen from the macro perspective of the Scandinavian welfare state, the presence of social trust and bridging social capital – understood as open, inclusive networks mediating between various groups – arguably works to reduce free-riding and enhance hard-riding. Then follow three chapters on the use of social capital within three sectors in the welfare state, dealing with real-life capital strategies, mainly at the micro level. This focus on the micro level necessitates a shift from a standard economic utility maximization perspective to a more nuanced (or realistic) picture of how people actually utilize and convert forms of capital within a Bourdieueconomics framework. First, Chapters 3 and 4 give examples of the workings of social capital and its lubricator, trust, within civil society, that is, local community development and multifunctional centers, respectively. Then Chapter 5 gives examples from the public sector, using the case of public libraries. Finally, Chapter 6 explores the private sector. Combining Bourdieueconomics

with prisoner's dilemma theory within microeconomics, we here try to explain how private entrepreneurs convert – or do *not* convert – social capital into economic capital. Chapter 7 concludes.

NOTES

1. Smith (1759, II.II.III).
2. Some accounts associate the bumblebee story with students of the physicist Ludwig Prandtl (1875–1953), University of Göttingen, Germany. Others identify the researcher who did the calculation as the Swiss gas dynamicist Jacob Ackeret (1898–1981). “Obviously, bumblebees *can* fly. On average, a bumblebee travels at a rate of 3 meters per second, beating its wings 130 times per second. That’s quite respectable for the insect world” (Peterson 2004).
3. Bertilsson and Hjorth-Andersen (2009).
4. Smith (1776 [1904]).
5. Statistics Denmark (2015).
6. World Bank (2015).
7. Paldam (2004).
8. Putnam (2015).
9. Fong et al. (2003).
10. CIA (2015).
11. Paldam (2004). The metaphor “bumblebee” for the Nordic welfare state has also been used by authors such as Nannestad and Green-Pedersen (2008).
12. Paldam (2004: 2).
13. Lindbeck (1995).
14. Statistics Denmark (2015).
15. Jensen and Svendsen, G.T. (2011).
16. Esping-Andersen (1990).
17. Andersen (2004: 751).
18. Andersen (2004: 752).
19. Statistics Denmark (2015).
20. Svendsen, G.L.H. and Svendsen, G.T. (2004).
21. Svendsen, G.L.H. and Svendsen, G.T. (2003, 2004).
22. Bourdieu (1979a, 1979b, 1986).
23. Bourdieu (1986).
24. See Dudwick et al. (2006).
25. Nannestad (2008).