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Evaluation of urban management and political Scandinavian economy (case study: Sweden and Norway)

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Abstract
Study on international political economy of two countries, Sweden and Norway, in international interactions allows us to examine political economy of these two countries as the case study for further understanding of macro patterns of international political economy. Thus, understanding the power of influence of international developments in two economic and political areas in internal relations of countries refers to one of the necessities in this research. The present research displays how a constant pattern such as the welfare state pattern can change under influence of global relations or loses its some principles, i.e. the vice versa of this rule is true. In other words, we face impact and effectiveness of the two sides of the exchange. Without doubt, movement toward pattern of welfare state generates behaviors, patterns and considerations at the area of foreign policy of Sweden and Norway, which we will examine them in this research. However this multi-variable equation has not yet on the stage of final settlement and in some cases the relation between Norway and Sweden has not yet defined with the developments in the new world at the area of international political economy, definition for what going on is required to understand this complexity and the reason for creation of some ambiguities. Definition for political economy of Norway and Sweden as two countries with the most welfare worldwide reveals the necessity to conduct this research. Since Norway and Sweden have a distinctive pattern in their welfare services, measurement of the relation between these distinctive patterns and common patterns which have conventionalized at the international economy is considered a major concern. Ultimately, this research is the necessity for our country to use the interactive pattern existing in Scandinavian countries at the area of international political economy. however, there are huge differences between our country and Scandinavian countries in terms of geographical position, population size and financial facilities, it can use some of the patterns of welfare state in our country and some of the behavioral patterns of Norway and Sweden in international relations to progress the political and economic relations of our country in international system.

Keywords: *political economy, Scandinavian, Sweden, Norway*

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Introduction

International political economy concept is relatively new and dynamic issue in international relations. When speaking of political economy in International Relations, naturally, by integration of basic economic and political data and consequently, the definition and interpretation of foreign policy actors in the international system are involved. When you want to review a country's political economy, or beyond, a particular domain (such as the Caribbean, the Baltics or Scandinavia), you have to process documented data for analysis of international and political behavior of it. Thus the research in the field of political economy – due to the dynamic and applied nature of this domain – has fruitful results. International political economy deals with the concerns and important areas of economic and political relations between the various actors in the international system, particularly the governments. While private and multinational corporations have undergone dramatic developments subject to large changes such as globalization, public policy in different countries is also affected by such trend. On the other hand, study of mutual reflection of the domestic and international issues of different countries of the world in the domestic and international fields affect their political and economic behavior are among the main things that are considered within the framework of theories of international political economy for proper justification.

On the other hand, Scandinavia has politically and economically unique characteristics in the international system and even Europe. Scandinavia is like an island in northern Europe, including Sweden, Norway and Denmark. What is common to these countries is adherence to the model of the welfare state in these countries – an issue that affects and is affected by the concerns of the actors in their foreign policy. In other words, as long as the economy, and domestic and foreign policies of Scandinavian countries, especially Sweden and Norway is not analyzed accurately, no accurate and comprehensive picture of "international political economy" of these countries can be achieved. Existence of welfare states in Scandinavia, and some components and specific economic and cultural ideas are what distinguish Scandinavia from other European regions. Evaluating of the relation between the welfare state and economic and international behavior of the two countries, Sweden and Norway was the main aim of this research. However, due to lack of organized English literature on the Scandinavian region (especially political economy of the region), actually no applied research in our country, at least in the form of a doctoral thesis, has been done in our country. However, the author hopes that given the relative mastery of language resources and the Nordic countries, a comprehensive thesis on the subject can written that would provide a source for future research in the field of "political economy of Scandinavia".

When it comes to international political economy, automatically a combination of "economy", "internal policies", "International Relations" arise. Therefore, types of view of different countries about the issue of economics or international relations affect their overall international political economy fundamentally. This rule is also true about the Scandinavian countries. Assessing the relationship between the economy and domestic policy and foreign policy in the Nordic countries in this research is the main concern. Here the concepts and categories like "welfare state" and "Keynesian economics" rise. Also here with specific behaviors of Sweden and Norway in the international system, including the efforts of the two countries to create a democratic peace among European countries, mediation in international conflicts and efforts to create peace in the world are considerable.

Scandinavian countries are characterized in the field of domestic policy by issues including overall commitment to the welfare state on the one hand and disagreements over policies such as increase or decrease of income taxes on

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the other hand. We have to reach reasonable composition and aggregation of the economic behavior, and domestic and international behavior of Nordic countries, allows us to analyze the economic, political and international impact and deterrence each of areas on two other areas. In this respect, we are confronted with data, with each containing a "message" in the above three areas (economy, domestic policy and foreign policy) for both Sweden and Norway. Obviously the impact of these three areas on each other is not equal, and based on time, location and nature of the subject, they change. So in the international political economy of both countries Sweden and Norway, we are faced with numerous variables and components that change the orientation and behavior of the economies of the two countries in the international system in different time periods. However, in this regard, we also saw constants and principles that are not changed even by international conflicts. For example, observance the principle of neutrality in foreign policy Sweden is an issue to which all parties are committed in this country. Or that the overall welfare state structure is fixed in social and economic equations of Scandinavian countries.

Next topic that is discussed in this research is social democracy model and then welfare state (as the product of thought and action arising from social democracy). In this respect, we are facing the historical and theoretical evolution. How Social Democracy as a school of thought has grown over the past century and what is product of realization and the rule of such thinking on the structure of welfare state. Basically, the study of international political economy of both Sweden and Norway without regard to the concept of social democracy and the welfare state is not possible. International Social Democrats historically faced many ups and downs and structural changes and a lot of thought has occurred among the Social Democrats. Social Democrats have historically faced many ups and downs and a lot of intellectual and structural changes have occurred among the Social Democrats. Social Democracy's shift from revolutionary thought against capitalism to a reformist thinking under capitalism has abolished many of the basic principles of the movement and replaced it with questions, concerns and goals. Changes in the main objectives and approaches of the Social Democrats, in Europe led to changes in behavior, speech and action in the welfare state-based community. Essentially welfare state community rose from social democracy rather than socialism. The welfare state does not intend to be against capitalism and liberalism. Here the concept of mixed economy (social-liberal) rises, which has specific and unique characteristics of its own.

In Sweden, the Social Democrats during the past century have been identified as the largest and most important party of the country. One of the reasons of maturing of welfare state model in Sweden and Norway is long-term rule of the Social Democracy in them. Thus we are faced with the consolidation of the welfare state in the Nordic countries. However, due to the institutionalization of the welfare state structure in their countries, willing, and able to transform the structure. Although right-wing and liberal parties criticize practical approach of Social Democrats on tax issues, welfare and commercial issues and in the general elections, they go to the scene with the slogan tax cuts and shrinking the size of government and reducing the level of its involvement in social life, because of the institutionalization of the welfare state in the country, of course they haven't want and haven't been able to alter the structure.

The next thing in this regard related to the development of the welfare state in the Nordic countries. The question how and to what extent international developments including globalization lead to a change in the economic approach of the Social Democrats, resulting in a change in the policies of the welfare state in Sweden and Norway. One of the areas that have been subject to direct impact of

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globalization is economics and international trade. The same thing inevitably impacts on export-driven economy of Sweden and Norway. Here, the two countries have to define and interpret their policy in economics and international trade largely according to equations arising from the global market economy. The same impacts on the economy of welfare state and domestic policy of Sweden and Norway; Finally, expression of political and economic developments of international system and changes in domestic policy and economic development of Sweden and Norway is focus of this research.

Swedish economy

Sweden is known as a prosperous industrial state in the international system. Sweden's economy is based on the structure of the welfare state and exports have a significant role in it. Strong role of government and significant welfare assistance to citizens and getting very high taxes from citizens to strengthen the public sector are Sweden's economic indicators. To understand the Swedish economy, we should understand the concept of well-being and its various manifestations in the country. Before addressing this issue, it is necessary to provide generalities about the domestic and international economy of Sweden.

As mentioned, the Swedish economy is in general export-oriented wood industry, water resources, iron ore and industrial products and automotive industry all are its export products. Sweden's main industries include motor vehicles, telecommunications, pharmaceuticals, industrial machinery, chemicals, household products, agricultural and forestry products, iron and steel. More than half of the local workforce is engaged in Sweden's engineering industry, mining, steel, pulp and paper manufacturing and internationally recognized companies such as Ericsson and Alfa Laval (Carlgren, 28 Sep 2012).

In the nineteenth century, the Swedish economy was based on agriculture. But then began the process of industrialization of the economy. The transition from an agricultural economy to an industrial economy, urbanization grew in the country. At the same time, poverty became widespread in Sweden. This has led to massive migration of Swedish citizens of this country to the countries like United States of America. Economic reforms in Sweden on social welfare in the country actually began in the second half of the nineteenth century. At the time, establishment of companies, banks and generally modern economic structure began in Sweden. In 1930, Sweden got a unique opportunity in the international system. As a result of Sweden's neutrality during the First and Second World wars, it was immune from the effects of physical destruction of war. World War II has strengthened economic position of Sweden in the world (Persson, Mats, 2013).

Since the beginning of the 1970s, we witnessed a recession in Sweden. This trend reached its peak in 1990 before Sweden won again in the middle of the decade to restore the economy. Since then, Sweden in terms of purchasing power of citizens and GDP (based on population) is among the top countries in the world. Sweden paid a high price for the restoration of their country after the economic downturn.

The next point on the Swedish economy is its mixed nature. Sweden's economy is a mixed economy consists of a combination of private and public economy, based on the welfare state structure. The economic structure in Sweden, receiving high taxes in favor of the public sector is of special relevance and centrality. Sweden's economy falls under the Nordic economic model (Carlgren, 28 Sep 2012).

One of the key factors behind the economic success of Sweden and reducing its vulnerability in the course of developments of the twentieth century (specifically World War II) is the country's neutrality policy. Because Sweden during World War II was identified as a neutral country and did not participate in the conflict, after the war was far less economically damaged compared to other European countries. After the war, Sweden, unlike other European

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countries, did not see the need to restructure their economies and political structure.

In the aftermath of World War II, the Swedish economy was defined based on the relationship between the government and trade unions and the heavy reliance on taxes. Sweden economy was based on high tax and welfare benefits to citizens (about 50% of the country's GDP). In the 1980s, the creation of a financial bubble in the housing sector occurred in Sweden, exactly the style that would later occur in the United States during the economic crisis the beginning at the third millennium. Inability to pay mortgages and thus reduced international growth of the Swedish economy led to recession. This process went on for years until between 1990 and 1993 and GDP went down to 5 percent, and by contrast, unemployment in Sweden rose. In this period, the worst economic crisis since 1930 occurred in Sweden. Sweden has about 10 per cent employment rate fell during the economic crisis. The level of investment in the country fell, especially important in the field of information technology, and then again witnessed a boom in investment occurred in 1993 in the IT sector in Sweden. Sweden employment rate fell by about 10 per cent during the economic crisis. Even the efforts of the Central Bank of Sweden in 1992 for adjustment of exchange rate in the country failed (Ipsen, 20 November 1992). Establishment and continuation of the tax structure is due to the presence of Sweden's Social Democratic Party in power in the years after World War II and also due to Swedish citizens welcoming of this structure. Sweden then Denmark has the highest tax revenue annually. Among the Nordic countries, Denmark is the country with the highest income tax in its structure and economic welfare. (Carlgren, 30 May 2016).

One of the components that distinguish the country's economy from many other countries is "economic growth". National Economic Research Institute in Sweden predicted the economic growth rate for 2016 (based on GDP) at 3.4 %. This rate of growth is higher than in most of Europe member states. Only the Baltic states, Poland and Slovakia, are expected higher economic growth than in Sweden (The Economist: 5 May 2015).

Sweden is a country that since 1995 has been a member of the European Union; however, membership in Europe doesn't not mean single European and Swedish economic policy; Swedish non-membership in the Eurozone led to the separation of political and economic membership of Sweden in the European Union. Although Sweden is a member of the European Union, in September 2003, during the referendum on the joining to European common currency (Euro), Swedish citizens opposed to this decision (Electoral geography: 2003).

Since then ever, not only another referendum has not been held in this regard, but also Swedish citizens in various surveys have expressed their opposition to joining the Eurozone. Hence the Swedish krona is its official currency. The same is now the currency Swedish krona enjoys the support of the majority of citizens (Statics in Sweden: 2015).

Many Swedish parties believe that joining the euro strengthens the export and import and increases turnover within the country's economic system. However, this argument is rejected in the referendum and polls by Swedish citizens. Although many groups and parties support joining of Swedish to the Eurozone, Swedish citizens are not willing to accept it. Sweden joining the euro proponents believes that since Sweden's economy is export-driven and based on trade with other EU countries and the Eurozone, therefore, the country joining the Eurozone contributes to the flow of domestic capital in this country. Anyway, more than 50 percent of Sweden's GDP is from exports.

Sweden's economic and industrial structure comprises the activity of an unexpected level of companies and international companies. In this regard, the City of Stockholm, capital of

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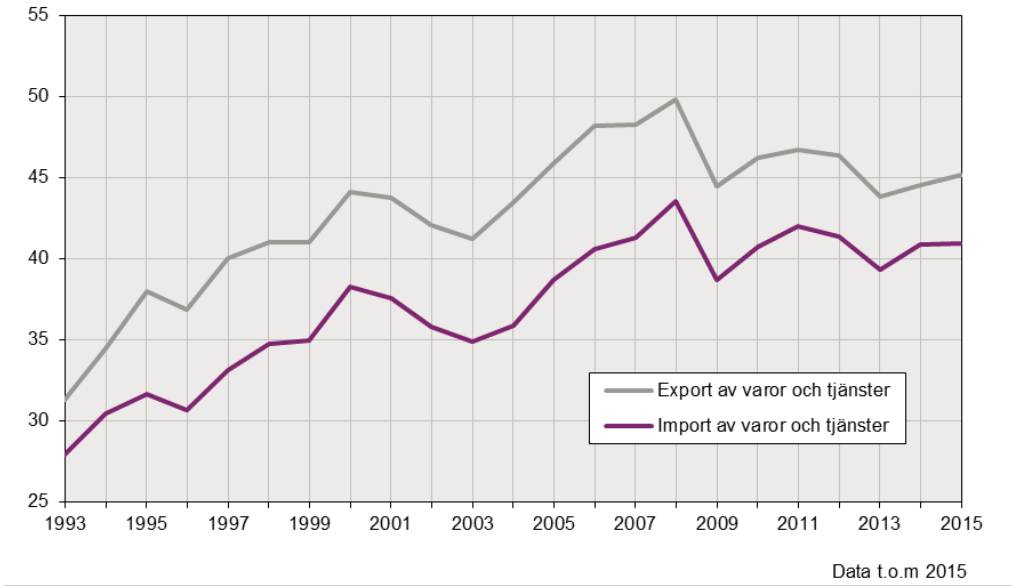


Figure 1. The import and export of goods and services in Sweden from 1993 to 2015, (Www.scb.se/sv_/Hitta-statistik/Statistik-efter-amne)

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Sweden hosts Stock Exchange and the headquarters of various banks and a leading financial center in Northern Europe.

Export and import of Sweden

Most exports of Sweden are to Germany, Norway, Finland, the UK, Denmark and the United States of America. In total, Sweden, after the 1990 recession, has experienced continuous economic growth. That has led to a favorable economic outlook for Sweden in the future. The country's exports is Sweden's economic driving force, due to the focus on areas such as ICT and new technologies (along with exports of wood, steel, pulp and paper), despite the crisis in the international system and in the economy, Sweden's vulnerability is less. Thus, the export of Sweden and international export products of the country reduce effect of international fluctuations on exports. Here's a study of exported products of Sweden and the annual value of each of them.

European countries are destination of 70 percent of Sweden's exports. Of them, two countries, Germany and Norway account for about 20 percent of the country's exports. Most exports to Norway and Sweden are by vehicles and electronic form. In Germany, Sweden's imported product includes paper and pharmaceutical products. Sweden's ten export partners in order of priority are: Norway, Germany, Great Britain and Northern Ireland, Finland, Denmark, The US, Netherlands, Belgium, France and China.

Sweden's major imports include mineral oils and products, road vehicle, equipment related to the field of communications technology and electrical machinery:

In addition to these 5 products, Sweden has on its agenda importing of food products, petrochemicals and petroleum, clothing and chemicals. The import partners are

Germany, Norway, the Netherlands, Denmark, Great Britain and Northern Ireland, Finland, Russia, China, France and Belgium an important loss.

As you can see, Europe is the main import partner of Sweden as well. In other words, Europe is the main export market and source of imports for Sweden. According to statistics released in the third quarter of 2015, the GDP of Sweden has been 9.3 percent. The rate of GDP based on population in Sweden is SEK 300,414 (Carlgren, 30 May 2016).

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No.	Product	Exports (billion SEK)	No.	Product	Exports (billion SEK)
1	Road vehicles	115	6	Medical and pharmaceutical products	59
2	Mineral products	87	7	Other electrical devices	54
3	Non-electrical machinery and apparatus	75	8	Iron and steel	50
4	Paper and cardboard	73	9	Power Generation Equipment	46
5	TV and communication equipment	61			

Table 1. Swedish exports of goods (Statistika Centralbyran, 2016)

Exports (billion SEK)	Country	No.	Exports (billion SEK)	Country	No.
76	The US	6	118	Norway	1
57	Netherlands	7	112	Germany	2
50	Belgium	8	80	Britain and Northern Ireland	3
49	France	9	70	Finland	4
40	China	10	78	Denmark	5

Table 2. Ten exports partners Sweden (Statistika Centralbyran, 2016)

Imports (billion SEK)	Product	No.
138	Mineral oils and products	1
111	Road vehicles	2
67	Devices related to the field of communication technology	3
63	Electrical machinery	4
55	Other non-electrical machinery	5

Table 3. Major imports of Sweden (Statistika Centralbyran, 2016)

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The imports (billion SEK)	Country	No.	The imports (billion SEK)	Country	No.
56	Finland	6	193	Germany	1
55	Russia	7	92	Norway	2
50	China	8	88	Netherlands	3
49	France	9	82	Denmark	4
44	Belgium	10	69	Britain and Northern Ireland	5

Table 4. Ten imports partners of Sweden (Statistika Centralbyran, 2016)

Norway's economy

Norway is located in Northern Europe and is one of the Nordic countries and a member of NATO. The country has long borders with Sweden and in other sides with Finland, Denmark and Russia. Norway has an area of 385,252 square meters and 5,264,810 inhabitants (UN, 2016).

Norway's economy is combined and developed economy, with emphasis on the role of government. Since the beginning of the industrial age in Norway, the economy has experienced a growing trend. Exploration and production of oil, natural resources and water use, electricity generation, etc. all play an important role in the development of the Norwegian economy and the circulation of capital in this country. Norway rely heavily on the North Sea's oil resources to secure financial resources.

One percentage of total GDP of the world is at the disposal of the Norwegian welfare state. Overall, in terms of living standards, Norway is one of the world's most advanced countries (Hylleberg & Pedersen, 2009).

The Norwegian economy is a combination of market economy and the welfare model of northern Europe and has a comprehensive social security system and health care. The country has natural resources of oil and gas, minerals, lumber, seafood, fresh water and water resources. The oil industry accounts for about 25 percent of the country's GDP (Acher, 6 September 2007).

According to the International Monetary Fund and the World Bank and on a per capita basis, Norway is the fourth country in the world (Greenfield, 22 February 2012).

Research Institute of Legaum that measures the public welfare in 142 countries and it publishes an annual basis, declared Norway for five consecutive years as the most prosperous country in the world. Measuring the level of prosperity in the countries by Legatum Institute is done by comparing them in the areas of health, safety and security, business opportunities, economy, education, personal freedom, governance and social capital (Dwyer, 3 November 2015).

Norway has the second highest per capita GDP among the European countries. Also in terms of monetary value in the world, Norway holds the second place (OECD, 2010: 181-198).

Norway's economy is a mix of private economy and state economy. In Norway and in key sectors of the economy, the government plays a key role. Health care in Norway as well as Sweden is free (NAV, 26 February 2010).

A significant share of government revenue is related to oil revenues. Norway has a very low unemployment rate (2.6 percent) (Riise & Becker, 31 August 2012).

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30% of the workforces in Norway are working in the public sector, which rate is highest among the Organization for Economic Cooperation and Development (Statistics Norway, 2014: 24).

The Norwegian government is large owners in key industries such as the strategic petroleum sector (Statoil), hydroelectric power generation (Statkraft), aluminum production (Norsk Hydro), the largest Norwegian bank (DNB), and telecommunications service provider round (Telenor). Through these big companies, government controls about 30% of the shares in the Oslo Stock Exchange. Although in the two referenda in 1972 and 1994, Norwegian citizens have rejected joining the EU, Norway, along with Liechtenstein and Iceland are actively involved in Europe Free Trade Association (EØS-loven, 27 October 1992).

As mentioned, Norway has a population of about 5 million. This is despite the fact that the country has abundant natural resources of oil and gas. Norway's revenue from these sources (in proportion to its population) is very high. Revenues from oil and gas exports is half of total exports and over 20 percent of Norway's gross domestic product. Norway's fifth largest oil exporter and third largest gas producer in the world; However, Norway is not an OPEC member. As a result, the country's oil policies are not OPEC-compliant (Statistics Norway, 2009: 40).

Norway follows model of prosperous countries of Northern Europe (Sweden). These countries provide in return for tax-heavy universal health insurance, welfare and education subsidies to their citizens. In Norway as well as Sweden there is a comprehensive system of social security. Norway has one of the highest human development indicators in the world (United Nations, 2011).

Another point is related to oil economy of Norway. Norway's revenues from crude oil sales are not spend as current spending but are reserved in a separate fund. The value of the fund is estimated at $ 900 billion and is the largest fund in the world (Reed, 24 June 2014). Norway is now considered one of the richest countries in the world, both in terms of per capita gross domestic product and in terms of capital turnover. In terms of human development indices of the United Nations, Norway is one of the world's best three countries. Benefiting from the natural resources, skilled labor and the use of new technologies and the small population have made the country one of the most successful countries in the world (in terms of economic and welfare). This success has continued consistently in the nineteenth and twentieth centuries. From 1830 until now, on average, GDP growth in Norway has continued (Grytten, 2004b: 245)

Condition of exports in Norway

Norway's exports: in 2015, the value of exports amounted to 105.4 billion dollars in Norway. In the meantime, oil exports accounted for 58.1 percent of total exports of Norway. Fish exports accounted for 8.3% of its exports in 2015. Industrial machinery, aluminum, electronic equipment, pharmaceutical products, iron and metals, ships and boats, and nickel are other export products to other countries of the world (World's Richest Countries, 30 May 2016).

Britain is Norway's main trading partner. Norway 21.8 percent of export income in 2015 was related to the Britain. Norway's second largest export partner is Germany. In 2015, about 18 percent (17.6 percent) of Norway's products were exported to Germany. The third export partner of Norway is the Netherlands and Norway 10 per cent of export products were exported to that country. France is Norway's fourth largest export partner and 6.5 percent of exports in 2015 were made to France.

Norway's neighbor Sweden is the country's fifth largest export partner. Sweden accounted for 5.9 percent of Norway's exports. Belgium where Europe Union's headquarters are located accounted for 4.9 percent of Norway's exports and placed sixth. Also 4.4 percent of total exports is made to the United States of

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No.	Product	Share of total exports	No.	Product	Share of total exports
1	Oil and petroleum products	58.1	6	Pharmaceutical preparations	2
2	Fish	8.3	7	Iron and Metals	2.4
3	Industrial Machinery	6.5	8	Nickel	1.1
4	Aluminium	3.3	9	Ships and Boats	1.1
5	electronic equipment	2.8			

Table 5. Major products exported from Norway in 2015 (World's Richest Countries, 30 May 2016)

No.	Country	Exports (%)	No.	Country	Exports (%)
1	England	21.8	6	Belgium	4.9
2	Germany	17.6	7	The US	4.4
3	Netherlands	10	8	Denmark	3.7
4	France	6.5	9	China	2.8
5	Sweden	5.9	10	South Korea	1.9

Table 6. Ten export partners of Norway in 2015 (World's Richest Countries, 30 May 2016)

America.

Denmark, the other Nordic Cooperation Council's member, is eighth partner of Norway in exports and 3.7% of Norway's total exports are made to that country. China and South Korea are the ninth and tenth export partners of Norway and Norway respectively account for 2.8 and 1.9 percent of each of these countries' exports (World's Richest Countries, 30 May 2016).

Condition of import in Norway

In 2015, Norway's imports from different countries were $ 76.3 billion. As seen, Norway's import is lower than exports by about $ 30 billion less. This issue shows concerns of the Norwegian government to create balance between exports and imports is in line with the emphasis on export-led economy.

Machinery, electronic equipment, ships and boats, metal products, pharmaceutical products, pharmacy-set equipment, petroleum and gas products, plastics and furniture and decorative products are items imported from other countries to Norway.

Sweden has the most import to Norway. 11.5 percent of total imports of Norway are Swedish products. It indicates that the deep bond between the two Scandinavian neighbors in terms of economic and trade relations. In 2015, Germany was the second largest import partner and 11.3% of imports Norway were from Germany. The second important point is that Germany is both the second export and import partner of Norway.

China is ninth export partner of Norway, and the country's third largest import partner. 10.4 percent of total imports of Norway are Chinese products. England is the first export partner of Norway, and is the country's fourth-largest import partner. 6.4% of imports of Norway are English products. In other words, Norway exports about 21 percent of its products to Britain and in exchange, it imports about 6 percent of its requirements from Eng-

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No.	Country	Imports (%)	No.	Country	Imports (%)
1	Sweden	11.5	6	Denmark	5.7
2	Germany	11.3	7	South Korea	4.2
3	China	10.4	8	Norway	3.6
4	England	6.4	9	France	3.3
5	The US	6.3	10	Poland	3

Table 7. Ten import partners of Norway in 2015 (World's Richest Countries, 22 May 2016)

land. This represents a huge economic benefit that the Norwegian economy takes from trade relations with London.

United States of America in 2015 was Norway's fifth largest import partner. Accordingly, The US accounted for 6.3 percent of the imported products of Norway. Denmark is Norway's sixth largest import partner and its total imports to Norway in 2015 amounted to $ 4.4 billion or 5.7 percent of Norway's total imports.

South Korea was seventh import partner for Norway in 2015, which accounted for 4.2% of Europe's imports. After South Korea, the Netherlands is the eighth import partner and 3.6 percent of the country's imports are made from Netherlands.

France and Poland are the ninth and tenth import partners of Norway, accounting for 3.3 and 3 percent of total imports in 2015 respectively (World's Richest Countries, 22 March 2016).

Conclusion

The Political Economy of Sweden and Norway each is a kind of unique political economy in the world. Such uniqueness is on the one hand the product of special geographic situation and national income and wealth and small population of the two countries. However, the main variables, namely the existence of the welfare state in Sweden and Norway cannot ignore. Any interpretation of foreign policy, domestic politics and the economy of Sweden and Norway should be based on what the government has done relative to the welfare state. Here, "welfare state" should be considered as an independent variable in the economic, political and security equations of the two countries of Sweden and Norway.

Membership in Scandinavia and the Nordic countries strengthens the role of the welfare state in this regard. Promoting social democracy in the 19th and 20th centuries has been productive of a structure that is called the Scandinavian welfare state (the three countries, Sweden, Norway and Denmark) today. Political and economic structural adjustment of Norway and Sweden with new theories in the field of political economy and international relations occur in favor of concepts and elements associated with the welfare state in these two countries. If we focus on the main concern of the Government of Sweden and Norway to establish and sustain prosperity in both countries, the interpretation of any theory involving domestic and foreign policy in Sweden and Norway should be done based on such main concern. As mentioned, the long-term holding of power by Social Democrats and providing solutions such as Anthony Giddens's Third Way played an important role in the concept of the welfare state in the Nordic countries. On the other hand, rich resources and a small and manageable population in both Sweden and Norway resulting in high levels of GDP to the population, GDP Per Capita of these countries and the consolidation of political and economic model of social democ-

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racy caused "welfare" to become the main purpose and a major concept in Scandinavia. In other words, the factors of establishment of the welfare state in Sweden and Norway can be divided into three categories:

1- The factors underlying the welfare state

2- Causing factors of the welfare state

3- Stabilizers of the welfare state

When it comes to the underlying factors of the welfare state, we mean the factors that strengthen a country's ability to create and deploy the welfare state. Two factors underlying the creation of the welfare state in Sweden and Norway are rich resources and a small population of the two countries. Factors that facilitate and absence of each of them undermines the structure of the welfare state.

Causing factors are factors that are directly involved in the creation of the welfare state. Here, the system of social democracy and its long-term deployment in Scandinavia, especially Sweden is the most important causing factor of welfare state. If the model of social democracy did not exist in Sweden and Norway, a welfare state cannot be formed. The influence of dynamic thoughts like the economic ideas of John Maynard Keynes or Third Way Plan of Anthony Giddens on social-democratic politicians played the main role in the creation of Scandinavian welfare state.

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