

How should we organize society? – The Scandinavian social policy model

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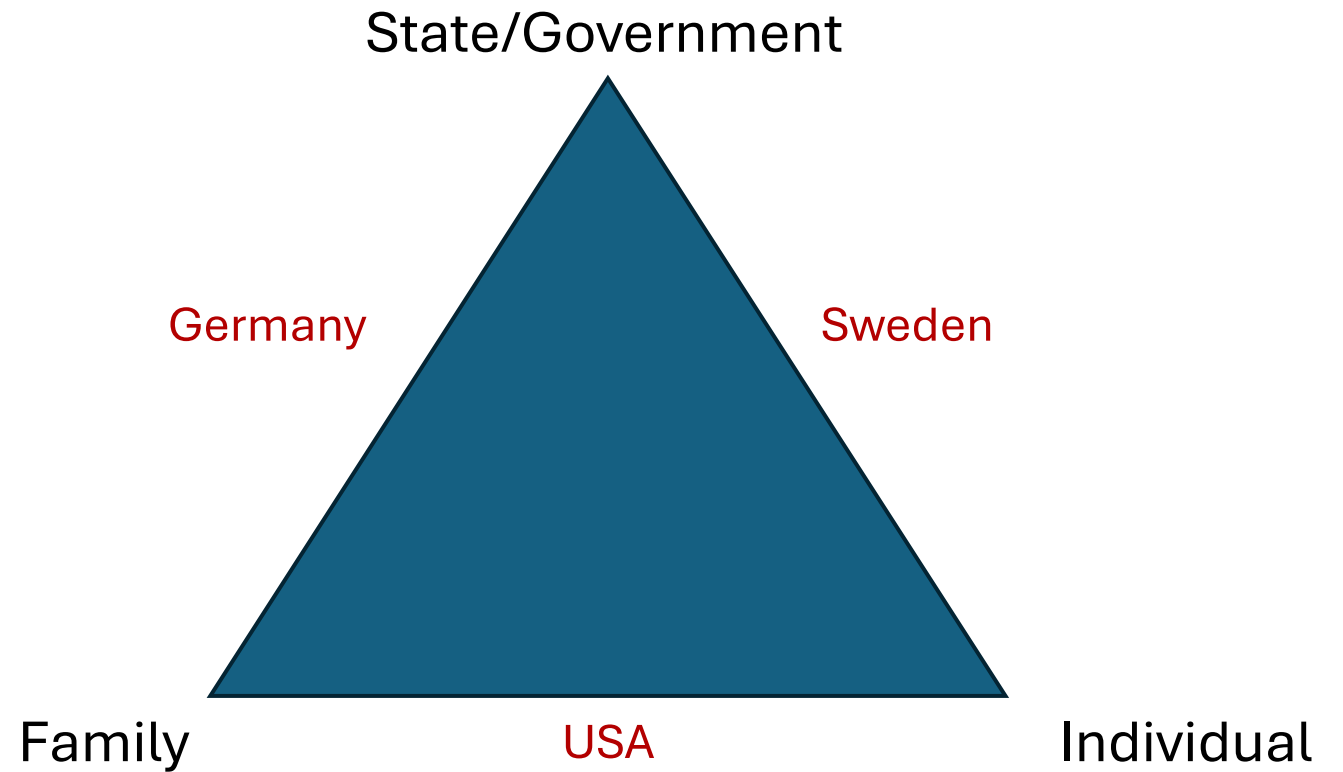
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How do we organize society?

- Planned economy vs Market economy – (Hopefully a settled issue)
- Different role of government within Market economy (“Varieties of Capitalism”)
 - Anglosaxon/US (“liberal”/limited role of the state)
 - Continental Europe/Gemany (“korporatist”/industry as important provider)
 - Nordic/Scandinavian/Swedish (“general/inclusive” “Socialdemocratic”)

Important role
for government
is not
necessarily in
opposition to
individualistic
values



Main features of the “Scandinavian model”

- Key goal is economic security and redistribution
- Touches all phases of life (“cradle to grave”). Much (most!) redistribution is between individual life-phases, not between different individuals
- It is universal. It should provide service for all at levels acceptable for all.
- It is financed mainly by taxes. Taxes are high but not very progressive.

High taxes and generous benefit schemes not necessarily “inefficient”

2023 COMPETITIVENESS RANKING

| | | | Score | |
|----|---------------|--|--------|-----|
| 01 | Denmark | | 100.00 | - |
| 02 | Ireland | | 99.71 | ↗ 9 |
| 03 | Switzerland | | 99.13 | ↙ 1 |
| 04 | Singapore | | 97.44 | ↙ 1 |
| 05 | Netherlands | | 95.58 | ↗ 1 |
| 06 | Taiwan, China | | 93.11 | ↗ 1 |
| 07 | Hong Kong SAR | | 92.05 | ↙ 2 |
| 08 | Sweden | | 91.86 | ↙ 4 |
| 09 | USA | | 91.14 | ↗ 1 |
| 10 | UAE | | 90.52 | ↗ 2 |

The countries are ranked and benchmarked across four key areas:

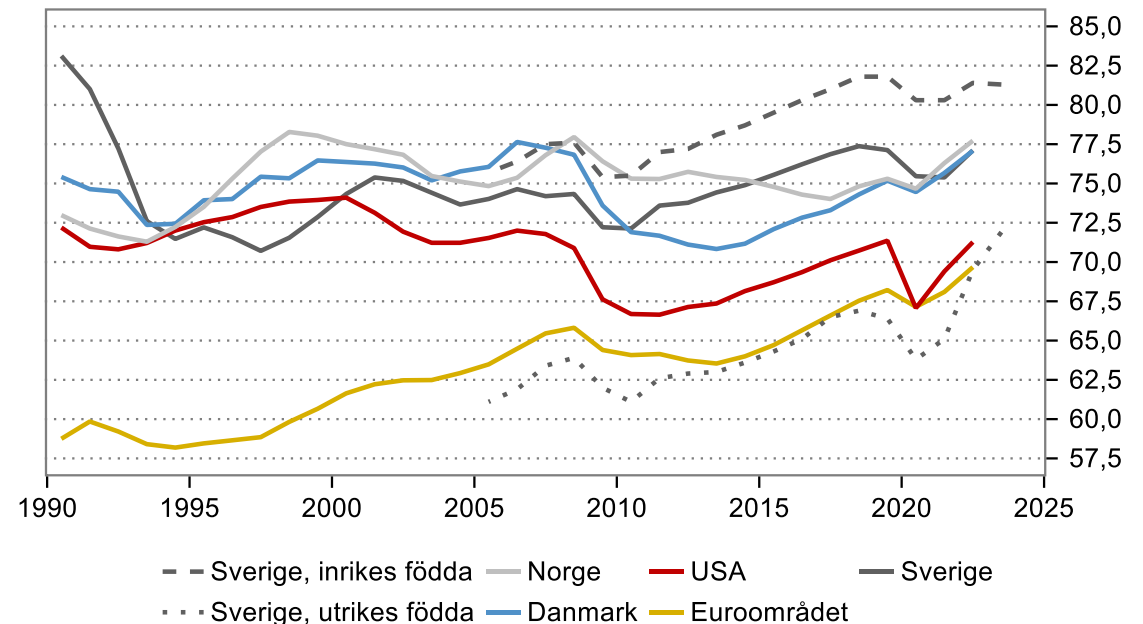
- Economic Performance
- Government Efficiency
- Business Efficiency
- Infrastructure



Key reason I

- The system is more of an insurance system than an (unconditional) welfare system. Generous benefits but also requirements to participate in the labour market.

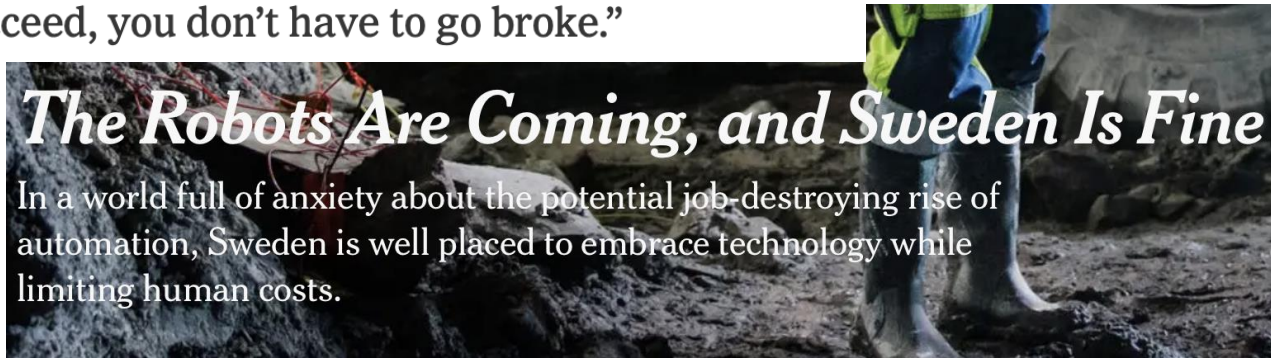
- Leads to high labour force participation



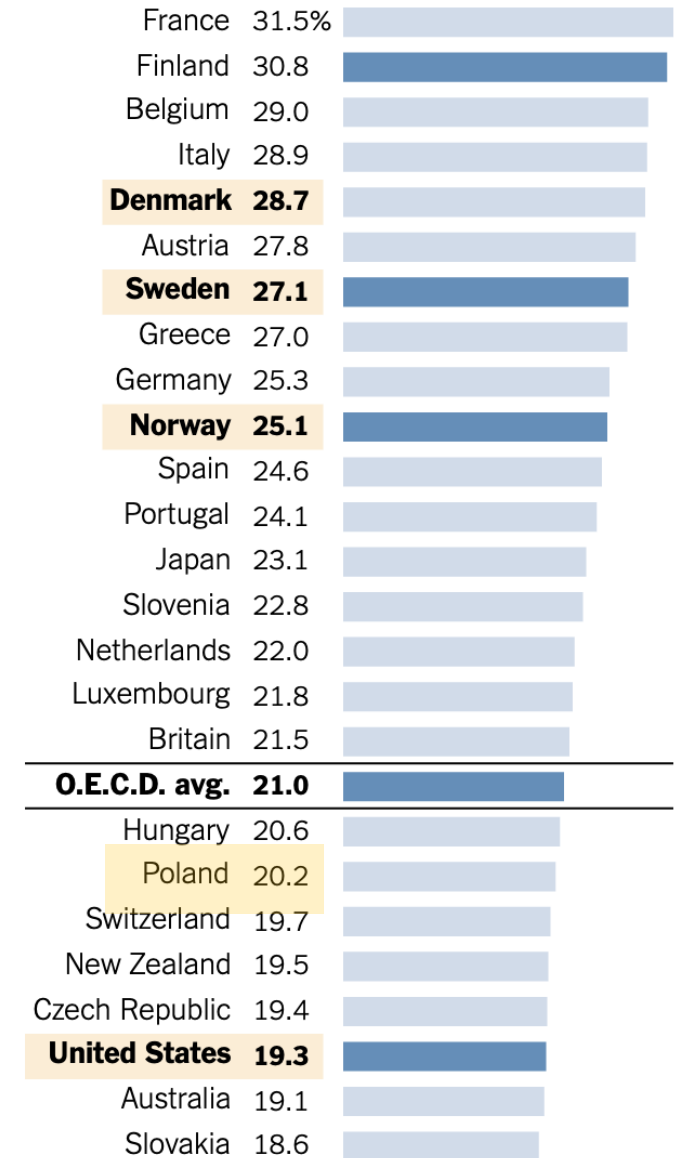
Key reason II

- Emphasis on “retraining” and “life-long learning”, “*protect people not jobs*”
- Leads to less resistance to structural change

“A good safety net is good for entrepreneurship,” says Carl Melin, policy director at Futurion, a research institution in Stockholm. “If a project doesn’t succeed, you don’t have to go broke.”



Public social spending as a share of G.D.P.



What about redistribution and poverty?

- Different systems emphasize “fighting poverty” and redistributing money from “rich to poor” (often combined with progressive taxation).
- This is NOT the Nordic way! Emphasis on universal system where all are covered. More insurance, emphasis on everyone participating in labour market. Taxes are high, but high for everyone (which requires efficient government to be politically feasible!). Redistribution is also more over life-cycle rather than rich to poor.
- However, it turns out that the Nordic way is, in fact, more successful in fighting poverty than systems explicitly targeted at “helping the poor” (the “redistribution paradox”)

State, family, individual – division of roles

- A key aspect when comparing different systems is where responsibilities lie and how different units are “treated”.
- Example: Who has “rights”, individuals? (maybe children!)? or families? Who pays taxes, individuals or families (households or men and women separately)? Who has parental leave rights? Women, the family (with the decision up to them) or maybe even men?