

Das  
**Bruno Kreisky Forum für internationalen Dialog, das Renner Institut und Team für Wien 19**  
bitten zum Vortrag von

## **Joakim Palme**

# **Das schwedische Wirtschafts- und Sozialmodell. Ein Vorbild für Europa?**

Anschließend Gespräch zwischen

**Joakim Palme** und **Markus Marterbauer**

Moderation: **Ferdinand Lacina**

Begrüßung: **Peter Kreisky**

Einleitung: **Christoph Pollak**

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**Markus Marterbauer** - Referent für Konjunktur und Makroökonomie, Österreichisches Institut für Wirtschaftsforschung/WIFO.

**Peter Kreisky** - Jurist, Politologe und Sozial- wie Regionalökonom, seit 1973 in der Arbeiterkammer Wien zuständig für Regionalpolitik und Raumplanung, gesellschaftspolitische Aktivitäten und Publikationen in den Bereichen Soziales, Gesundheit und Regionalpolitik sowie Umwelt, Antirassismus, Demokratie und zu Schweden.

**Ferdinand Lacina** - Bundesminister für Finanzen a.D., Konsulent der Bank Austria Creditanstalt AG, Vizepräsident des Bruno Kreisky Forums

**Christoph Pollak** - Siemens Austria, Bezirkskoordinator für *Team für Wien 19*

### **Peter Kreisky**

Ich freue mich sehr, diese Veranstaltung eröffnen zu können. Ich bin 1944 in Stockholm geboren. Meine erste Muttersprache ist schwedisch, die inzwischen leider von der Qualität her zu meiner Zweitsprache wurde. Ich möchte ein paar kurze Erinnerungen an die beiden miteinander über mehrere Jahre verbundenen Politiker der Sozialdemokratie mit Ihnen teilen, die noch aus dem so genannten goldenen Zeitalter der europäischen Sozialdemokratie in den 1970er Jahren ihre positiven Nachwirkungen zeitigen, und hoffe, dass sie der aktuellen europäischen und internationalen sozialistisch/sozialdemokratischen Bewegung Anstöße geben können. Wenn ich in Erinnerung rufe das starke Engagement Olof Palmes gegen die Apartheid diktatur im südlichen Afrika, wo ungewöhnlich undiplomatische Einsätze von Seiten der schwedischen, insgesamt der skandinavischen, auch der holländischen Sozialdemokratie geliefert wurden. Österreich war da um einiges zurückhaltender. Auch im Bereich dieser grauenvollen Kriege der US Regierungen in Indochina, in positiver Verletzung des Tabus, dass westliche Diktaturen und Kriege von Seiten der Sozialdemokratie nicht desavouiert werden dürfen. Das war ja die Politik vor allem der französischen Sozialisten, die dann auch an dieser Krise ihrer Glaubwürdigkeit zerbrochen sind. Unter dem leitenden Engagement Olof Palmes kam es zu einer klaren - wenn auch kritisch zur vietnamesischen kommunistischen Partei, dem so genannten Vietkong - Positionierung auch im Verhältnis zu Kuba, das in der Dritten Welt – und das gilt ja leider im großen und ganzen bis heute – kaum Alternativen zu brutalen, spätneokolonialen Systemen Chancen bekommen hat. Deshalb ist eine kritische Solidarität, vor allem eine humanistische, aber auch soziale und friedenspolitische notwendig.

Bei meinem Vater als Angehörigem einer älteren Generation war weniger dieses Engagement im Vordergrund. Vor allem im Falle Vietnams hat er sich sehr zurückgehalten. Aber dafür war in Fragen der Friedensentwicklung im Nahen Osten sein Engagement sehr stark. Da hat es eine große Austauschbasis gegeben. Und in dieser Verbindung auch mit Willy Brandt und anderen führenden Sozialdemokraten gelang es damals für einige Jahre, der Sozialistischen Internationale wieder internationales Gehör zu verschaffen. Heute sind davon nur wenige Reste verblieben. Es ist zu hoffen, dass hier in Zukunft auch Perspektiven deutlicher werden. Es gibt Ansätze bei Tony Blair trotz seiner sonst nicht sehr sozialdemokratischen Politik in Bezug auf

Afrika. Es gibt Verbindung zu Lula in Brasilien. So schwarz-weiß schaut die Situation zum Glück nicht aus. Es gibt Impulse auch aus den kontinentaleuropäischen sozialdemokratischen Parteien. Aber vergleichbar diesem Versuch von neuen Marshall-Plänen für die Dritte Welt, wie sie federführend von Seiten meines Vaters auch in die Sozialistische Internationale und in die internationale Diskussion eingebracht wurden, gibt es kaum Initiativen.

Ein zweiter Aspekt ist mir 20 Jahre nach Tschernobyl wieder in Erinnerung gekommen. Es war interessant, dass beide Politiker trotz des Drucks, der auf ihnen gelastet hat von Seiten der jeweiligen wirtschaftlichen Interessen - im Fall Österreichs Siemens, Verbund, im Fall Schwedens die sehr starke Elektroindustrie, ASEA damals und andere größere Firmen -, es doch Öffnungen in Richtung eines Dialogs mit den überparteilichen NGOs in beiden Fällen gegeben hat. In Österreich war das Beispiel, dass Hearings mit Befürworterexperten und Gegnerexperten der Atomenergie ermöglicht wurden von Seiten der Regierung. Ein Tabubruch. Es wurde geduldet, dass ein Teilbericht von Bernd Löttsch, Eduard Gruber und Peter Weihs über die gesundheitlichen Risiken der Atomenergie in die Medien kamen. Über das Donnerwetter hinaus, für das ja mein Vater immer wieder bekannt war, war er dann doch letztlich froh über diese Entlastungsintensiven. Beide Politiker waren sich einig, dass der Versuch einer Abkoppelung der Atomenergiefrage von der allgemeinen politischen Frage auch im Hinblick auf die Wahlen versucht wird. Ich erinnere mich noch, wie ich von der so genannten Volkskampagne gegen Atomenergie in Schweden eingeladen war und bei meinem schwedischen Onkel gewohnt habe und gerade in Malmö auf einer der Agitationsfahrten war, dass ich von Olof Palme angerufen wurde – ich glaube, er war damals Oppositionsführer -, ob ich zu ihm in den Reichstag kommen will. Ich bin natürlich gerne hingegangen. Er hat mir den zu präsentierenden Kompromissvorschlag für die Volksabstimmung in Schweden gezeigt und darauf hingewiesen, dass es hier um ein mittelfristiges Ausstiegsszenario, das in Schweden bei den beiden ältesten und gefährlichsten Kraftwerken gegenüber von Kopenhagen in Südschweden auch begonnen hat, geht.

Beide Politiker hatten ein Ohr für kritische, vor allem von Jüngeren und Frauen getragene Erneuerungsbasisbewegungen, NGOs, und haben Perspektiven über die doch klassisch ziemlich verkrusteten, hierarchisch, zentralistischen, sozialdemokratischen und gewerkschaftlichen Apparate hinaus gehabt. Unter anderem in dieser Beziehung sind sie wegweisend und waren auch viel zugänglicher als manche einflussreiche Politiker heute für allgemeine Bevölkerungswünsche, Klagen und Anrufe. Sie haben auch im Alltag versucht – das hat in Skandinavien eine ältere Tradition als in Österreich, das noch feudaler geprägt ist als die skandinavischen Staaten -, dass für Beschwerden, Wünsche der Bevölkerung, von Initiativen grundsätzlich ein offenes Ohr bestanden hat. Dass es dann vor allem bei Vertretern der älteren Generation ein Schwanken zwischen einem aufgeklärten Patriarchen und einem Repräsentanten einer demokratischen Zivilgesellschaft gegeben hat, ist erklärbar, wenn es auch nicht immer für die Zeitgenossen, inklusive mir, so ganz angenehm auszuhalten war. Aber es bleibt dieses wichtige Signal, dass die sozialdemokratische Arbeiterbewegung nur dann Zukunft hat, wenn sie sich für neue, gesellschaftskritische Strömungen, seien sie auch außerhalb verankert, öffnen. In dem Sinne wünsche ich dem heutigen Austausch alles Gute.

### **Christoph Pollak**

Ich möchte kurz das Team für Wien vorstellen. Das Team für Wien Döbling hat zum Zweck, sozialdemokratische Politik unabhängig von einer Mitgliedschaft für Menschen zugänglich zu machen. Wir machen dazu einerseits Diskussionen mit Mandataren und andererseits Gespräche und Diskussionen mit Experten. Voriges Jahr hatten wir eine Veranstaltung mit Karl Duffek vom Renner Institut über New Labor und heuer eben über Schweden, was ein wesentlich sympathischeres Beispiel für sozialdemokratische Politik ist. Warum ist Schweden für uns so interessant? Zum einen weil es dort eine längere Tradition sozialdemokratischer Regierungsbeteiligung gibt. Zum anderen weil es zeigt, dass die neoliberalen Dogmen von den reduzierten Steuern und der gestiegenen Lebensqualität zumindest nicht stimmen müssen. Wie schauen die Zahlen aus? Es gibt eine recht hohe Steuerquote. Aber trotzdem ist die Arbeitslosigkeit sehr niedrig. Die Lebenserwartung ist höher als in Österreich oder England oder USA. Die Säuglingssterblichkeit ist auch niedriger. Aussagen wie „weniger Steuern, mehr Geld fürs Leben“ hauen offensichtlich nicht immer hin.

Wir haben mit Joakim Palme einen absoluten Spitzensozialforscher und Wirtschaftsexperten, der auch die schwedische Politik mitgestaltet hat als Vorsitzender der Wohlfahrtskommission der schwedischen Regierung.

Markus Marterbauer, Wirtschaftsforscher in Österreich und auch Berater von Alfred Gusenbauer. Ich hoffe, dass seine Meinungen im Herbst dann auch maßgeblich die österreichische Wirtschaftspolitik bestimmen werden. Bei Ferdinand Lacina erübrigt sich die Vorstellung.

### **Ferdinand Lacina**

We are very happy to have Joakim Palme with us. Please, the floor is yours.

### **Joakim Palme**

Thank you very much. I feel deeply honored to have this invitation to the Bruno Kreisky Forum. I feel that I grew up with Bruno Kreisky. Every new year I was invited to go skiing in Lech am Arlberg from the age of 13 to the age of 20. I learned to know Bruno Kreisky not only as a great politician, but also as a very caring personality who on the personal level was very close to my father and who on many political issues also fought many common fights; on the issue of peace, but also on the unemployment issue.

My attempt will be to do three things. I will talk as vividly as possible in order to illustrate my slides. I will talk about my understanding of the Swedish model. I will then go on to the economic crisis that Sweden went through in the 1990's, and then move over to the issue of the relevance of the Scandinavian model in context of the present discussion of the future of the European social model. The next slide is about the ideal typical Swedish model. I think it is very important to underline something that the Swedish model is not about creating an ideal society. When a local politician in Stockholm came to the opening of a new suburb, Vällingby, in 1954 he said that we are not creating an ideal society, but we are creating a good society where the drama of life is going to take place with the good and bad sides of it, but we can never and should never attempt to create an ideal society. When I am talking about the Scandinavian model it is somewhat idealising, but I am attempting to clarify some of the basic characteristics and some of the basic achievements of it. But I think we should bear in mind that this is not an ideal society.

The next slide is an attempt to talk about two things about the Swedish welfare state model: the various benefits of the welfare state model and how it is financed. I think it is important to see that on the cash side, i.e. on the transfer side, there are two components. There are universal benefits paid to families with children, and there are universal pensions for all old people. But this has been combined with earnings related social insurance of the kind that is very common in the continent-European countries. But this social insurance based on the earnings related principle is universal in the sense that it covers all parts of the labor market. But what is distinguishing the Scandinavian model and the Swedish model from the continent-European is not the cash side but rather the social services. It is important to see that there are different aspects of this. One thing is that they are delivered locally, de-centralised. They are covering all permanent residents. They are separate from the social insurance system so that healthcare is not linked to contributions on the labor market, not linked to sickness cash benefits, but separated and provided by the counties or the municipalities. It is a sort of from the cradle to the grave thing; including child care, schools, and all the way to elderly care. What is important here is also that social rights are individual in almost every area, so that women have separate rights to pensions, to services, and it is not linked to the male bread winner or the contributor to the social insurance system. This is the good side of it. It also has costs, a funding side in other words. Here it is important to make some clarifications. The universal benefits are tax financed. And this is what you expect from the Swedish model, the Scandinavian model. But social insurance is funded primarily out of employer social security contribution, payroll taxes with part of the pension system paid by the insured person him- or herself. The social services are funded by local taxes, but with a state subsidy equal to about 20% of the total expenditures on the social services. Also important is that the tax system is based on the dual earner principle. So incomes of spouses are assessed separately in the tax system. It used to be that the incomes of the spouse was put on top of the first male breadwinner, and thus taxed very heavily. But since the early 1970's these taxes are assessed separately for men and women.

In short, it is a way of providing services that makes it possible for dual earner families to combine work on the market with care of children. And it has traditionally been based on a full employment strategy with a strong ingredient of active labor market policies.

I have already mentioned some of the merits of it. We can see that in comparison to other countries, other models you see low life cycle poverty, low poverty among families with children, and low poverty among old people. Inequalities at large are lower and reduced more by the tax transfer system than in other European countries. High employment is primarily a result of high participation rates among women. The system has a strong popular support in general, even if we have seen discontent with some aspects of it. In Sweden, especially the health care system was criticised in the late 1990's. We should put a question mark around the cost control and incentive structure. But I also would argue that there are some good aspects of the system, and that these have been reinforced during the 1990's.

When it comes to incentives it is important to recognise that the universal benefits are efficient in terms of combatting poverty and social inclusion. It covers everybody without means testing, and thus no stigma. It is also good because its effect in the incentive structure for poor people. If you have a strong reliance on means tested benefits, that means that poor people as soon as they work more and earn more would also get their benefits reduced. The earnings related social insurance system has the advantage of providing incentives to become a tax payer. Because once you become a tax payer your insurance is improved. When you become old, the pension will be higher if you work more. It is also the case that it reduces the transaction costs in the economy. You don't have to negotiate with you employer on each insurance aspect, but it is a ready made, legislated benefit package. You can move from one employer to another without losing your social rights. The discussion about taxation is too much focused on the general tax level and not on the design of particular benefit programs and particular tax systems. We should discuss less the level and more the design of taxes and benefit systems.

100 years ago, in the city of York in England, Seebohm Rowntree had identified these poverty cycles of the life. Poverty was high among families with children and poverty was high among old people. It is an achievement of the Scandinavian welfare states to have flattened out these poverty cycles, even I will return to a new problem with young people's situation. In Europe this is a new poverty problem for European societies to take a more serious attitude to.

In so far as inequality has been reshaped during the 20<sup>th</sup> century it is a result of changes in the economic structure, but also of political mobilisation. The different phases in the emergence of a Swedish model of social protection have been associated with structure changes and new demands on public policy. The emergence of universalism in the early 20<sup>th</sup> century was a response to the fact that the local society could not handle an aging population and a native population because they were wage labourers could not rely on the owning of land for securing their incomes at old age. It was an attempt to balance the interests of a rural and an urban population. In the 1930's it was the population question, the falling birth rates, the fact of a declining population that triggered a new social policy initiative in terms of supporting families with housing, with benefits, enabling them to have as many children as they wanted. One can see the three important phases that I identify during the post-war period. First in the 1940's to stabilise the coalition between the agricultural sector and the working class in abolishing means testing in pensions and family support. Then the expansion of social insurance as a way of securing the interests and support of the growing middle classes. Then in the 1970's modern family policy was a response partly to the fact that women took a larger part on the labor market, but also to the political mobilisation of women. The expansion of these programs has been the result of structural change, political mobilisation, but also an attempt to find broad interest coalitions in order to have politically sustainable systems.

I will now go through the history of the Swedish pension system. In 1913 we implemented a fully funded system, not giving very high benefits, not being able to safeguard the pensions to inflation, but also a means tested "supplementary" component. This was before full democracy was implemented. But the first Social Democratic Party chairman was on the pension committee, as was in fact the grandfather of my father who was representing the insurance industry because he was director of a large insurance company. He was fearing that the expansion of public responsibility for pensions would erode the market. But there was a general agreement that we would move more in the direction of Denmark with systems that would cover both agriculture and industrial labor rather than the Bismarckian system which would only focus on the industrial working class which was still rather modest in size. This was a compromise. There was also one group that was outside the

system, that was state employees. Because the private white collar employees saw that the state employees were outside the so-called universal system they had also their pension system and wanted to be exempted from the statutory system. But in 1935 instead of giving exemption for private employees that had their own insurance, the state employees were included in the universal system with a specific ambition to see the pension system as one way of building a nation of common interests. After the Second World War means tests were abolished. Everybody got the same benefit from the poorest agricultural laborer to the richest widow in the richest neighborhood, as the Minister of Social Affairs expressed it. The biggest fight came in the late 1950's about the second tier, the earnings related part. The earnings related benefits that came on top of the basic benefits for those who had an employment. Still, there was a ceiling for benefit purposes in the system. This was then an attempt to build in the interest of the white collar with the blue collar workers in the same system. In 1969 there was a supplement introduced, paid to those with only the basic benefits or very low earnings related benefits. This was then quite successful in terms of combining different interests, in combining social policy goals of eradicating poverty and also income security.

I also think that we should see the different redistributive strategies that are underlying the Swedish model. It is not a Robin-Hood-strategy because the Robin-Hood-strategy takes from the rich and gives to the poor. It is not the simple egalitarian strategy of giving exactly the same to everybody because it gives different to people depending on their contributions. And it is not the within-group-redistribution that we can see in the corporatist system where you organise social protection separately for different groups in society. It is rather following what we have labeled the St. Matthews principles of giving to those who already have. Some may claim that it is a misinterpretation of what is in the Bible but it says in Matthew 13:12: "To those who have shall be given". The interesting thing here is the strategy of including rich people in the system of social protection in order to make them more generous also to poor people. When we have compared countries we have seen that including the middle class in the social protection seems to be a way of making budgets also for poor people more generous. This is the strategy underlying the Swedish model. We achieve redistribution by having everybody paying to the same system.

I am now moving a bit over to the issue of recent developments in reforms. It is an attempt to summarise the basic facts of the pension reform that we had in 1994/1998. It reminds me of a story told by Bruno Kreisky's old friend Torsten Nilson who was Minister of Foreign Affairs in Sweden, before that he was Minister of Social Affairs. When he explained the reform of the 1950's, the ATP reform, he was out in a distant village in the forests. He knew that there was a complication with those who worked in the forest industry, because they got paid extra for having a horse that could transport the timber out to the main roads. Of course, when he had to present the pension reform there was in the end a question from a guy who explained his situation. He was working in the forest, he had his wage, but then he got some remuneration for having a horse. Nilson responded that: "pensions are complicated, the only thing I can tell you for sure is that the horse will not get a pension". I was once approached by a OECD delegation which were very happy to talk to me because they had heard that I was one of only three persons who understood the Swedish pension reform. And then I understood it was only two.

I think we should see the pension reform as a response to an aging society, that we will have more old people, and as a response to the critique of the welfare state which says; we don't have cost control and we don't have a good incentive structure, so that it does not pay more if you work more. It was a political compromise in an area which was most conflictual in the political history of Sweden, because there were big fights over the 1958/59 reform. What was achieved was a big technical change in the sense that we moved from what is called a defined benefit system, that says that you get 60% of your wage, into a defined contribution system. And the defined contribution says that we will pay 18,5% of our income to the pension system. Today I pay 18,5% of my income to the pension system, part of it is paid by the employer. Same thing will be tomorrow, next year, in 20 years, when we have a big old population. In 30 years, in 50 years (we could go on with this to the next ice age as one of the reformers said). It is sustainable. And it is based on the idea that if we can afford 18,5% of our income today, we could probably afford it tomorrow and next year and in 20 years when we are richer. But it is putting a strict cost limit on the pension system. Of course, if our population declines, if our labor force declines, if people stop working earlier, there will be much less income to the pension system, and pensions will be very low. But so will be resources for all other public expenditures as well. I think it is based on the

understanding that we have seen a great improvement of the incomes of all people in Sweden, and that there are other important items to spend on in the future as well. And 18,5% of your income is a lot. That might still give more room for increasing spending on other items like elder care, health care and education of children. It is important to recognise that we also have a universal guarantee so it is not abolishing universalism in that sense, a floor in a system nobody should fall below. This compromise has something for everybody. It meant increased contribution to the pension system. But increase has come in the form of individual accounts, individual contributions. So this made the center-right part of the political life in Sweden happy, that you have pre-funded system and individual account. The Social Democrats were not too happy about that, but they were happy about being able to increase contributions to the pension system. Then we also have buffer funds for the "Pay-As-You-Go" part of the system.

In terms of benefits it looks very much like the old system. But in terms of coordinating different parts of the system it is different. I think it is an interesting example of a possibility to reform a system without losing the major social policy objectives and adapting it to the kind of critique on the welfare state of poor incentives and poor cost control. Because this is delivering very good cost control. Since the lifetime is the basis of the future pension it gives good incentives to contribute more to the system.

The other part that I will say something about is the family support system. I think that this is again an example that you have very different kinds of social policies. I would like to identify two dimensions of family support. One is that you can have support that is given to the male breadwinner. Sometimes in tax reductions if you have a housewife or family support that only goes to the male breadwinner. Or it can be of a more dual earner oriented character, supporting a dual earner family. If you have that kind of benefits it is often linked to social services that enable both spouses to work, such as day care centers, and in parental leave insurance, benefits that can be drawn both by the mother and father. We can see that many of the continental European countries have this male breadwinner support. Many of the Anglo-Saxon countries have no support at all. The Scandinavian countries and Sweden have moved in the direction of pushing family support into the dual earner model.

We have attempted to summarise the different kinds of support systems including both services and cash benefits. It seems if you combine these two kinds of support systems, the Scandinavian countries are more generous. It is important to see that the subsidies to day care services is making a difference in terms of the total benefit package to families with children. It is not the cash benefits as such that makes the difference. I think this is important because it is not only of redistribution, but is also about affecting the possibility of different family funds.

The Scandinavian success story came somewhat on hold in the 1990's as a result of the economic crises and many of the policy changes that took place by then. It is only recently that the Scandinavian model has become popular again in relation to this discussion of other European social models. I will say something briefly about the economic crises that we went through in Sweden in the 1990's. I was chairing the Welfare Commission which was appointed by the Swedish government and which was an attempt to examine, to monitor, what had changed not only with the welfare state but also with the welfare of individuals and individual living conditions during the deep economic crises. The economic crises was about GDP growth being negative three years in a row in the early 1990's, and then recovering. Employment dropped by 500.000 roughly about 18 months, starting in 1991 and ending in 1993. 500.000 jobs in a small population like the Swedish one meant that open unemployment went up from less than 2% to more than 8%. And those engaged in active labor market measures went up from 2% to about 6%. When the employment crises was really deep we had the largest wave of refugee immigration that we have had in the post-war period. The public finances were developing very poorly with a free falling 13% of GDP in deficit and a public debt that was accumulating. This brings me back to Bruno Kreisky's worries about unemployment in the 1980's which my father took up in many of his speeches, that what is really threatening democracy is unemployment, not only because it is creating losers in society that can be mobilised against democracy, but also because it is eroding the confidence in politics, and many ordinary people might lose confidence and become apathic. Of course, the studies of Marienthal in the 1930's is the classic example. If I have made these projections about what was going to happen with unemployment, public finances, immigration, I would have expected much more dramatical change than what

we saw in Sweden. The social protection system meant that the living conditions of individual people were cushioned.

When we look on the broad trends of people's living conditions we can see that the situation in 1999 had become worse. Employment levels were lower in 1999 than in 1990, and unemployment was higher, and stress in working life and psychosomatic health problems had increased. Some things were actually getting better. Real wages were growing a lot for the first time since the 1960's, and even for lower income people. Also infant mortality was decreasing. We got improvement in the educational sector, not only expansion of tertial education, but also special education.

During the economic crises, the public finances were restored only as a result of severe cuts in all benefit systems and increases of all taxes. This was very tough fiscal policies, too tough, because it was prolonging the employment crises, at the same time necessary to convince those who were lending money to us during the crises that things were under control. The benefit cuts were affecting low income people more than high income people. The tax increases were affecting high income people more than low income people. Disposable incomes were declining a lot. Income inequality development did not increase during the worst years of crises. But it was during the recovery that inequality went up, not primarily as a result of earnings inequalities increasing, but primarily as a result of capital income with the booming stock market being more important for high income people. Still, when we compare with the US, in Europe income inequalities are fairly modest, even if they have increased somewhat. If we look at the most recent years we see that they have stabilised and declined moderately on these new levels.

The general inequalities in Sweden between social classes and between men and women were rather unaffected by the crises. This might come as a surprise. One would have expected rising class inequalities and rising differences between men and women. On the other hand we can see there is a lost decade in terms of promoting inequality between social classes and men and women. But three new groups appeared as problematic. You see more differences between those born outside Sweden and those born in Sweden. Young persons and lone mothers were losers of the economic crises. Lone mothers not as a result on benefit cuts, but they have lost their position on the labor market. Young people not so much towards the end of the decade, but during the economic crises. We can see that the trend towards increased difficulties of getting access to the labor market have continued.

One should also recognise that the social service sector has been changed. We have moved in general towards more responsibilities for the municipalities and the counties. We had fairly large importance during the economic crises of use of financing. And we had privatisation, not privatisation, of the funding but of the provision of social services. Publicly financed elderly care, child care, schools were provided by private organisations, also private for profit organisations. This was not a Social Democratic reform, but a reform by the center-right coalition. But it has not reversed by the Social Democrats during their 12 years in government. In a way it was a response to the popular demand for more private alternatives, for more choice in the public sector. But it also created tensions in terms of increased segregations in schools. I think it is very important to analyse this not as a general phenomenon but as a specific and very different phenomenon in different sectors of the welfare state. So the problems and potentials of private operations are very different in the schools from the elderly care or in the hospital sector.

I would say that some of the problems of the 1990's have now been addressed by the government insofar as the increased user charges have been subject to reform and maximum limits have been put on fees to day care centers and to elderly care. Another threat of the system was that more and more people had earnings above the income ceilings in the social insurance systems. So their relies on private insurance increased gradually. Now the government after ten years of thinking about it, has decided to increase the ceiling for benefits purposes in order to secure the middle class support of the system. This, of course, has not been entirely popular. Some have said that it is better to spend the money on poor people, to be more like Robin Hood, than to secure that the insurance systems and the social services also functions for the middle class. I also think that it has been an attempt to avoid cheating with the system and avoid marginal affects for especially lone mothers.

Now in 2006 we are in a situation where many of the problems that we had during the 1990's have been dealt with, both when it comes to restoring the universalism in the social protection system and when it comes to defending the principles of financing of the system. We still struggle with margin groups. Especially refugee immigrants that came here during the economic crises are still lagging behind in terms of integration on the labor market. This is especially difficult for the Social Democratic government in an election year, despite the fact that we have had growth now for 10 years this has not created employment also for marginal groups. When we look at the Swedish born the employment situation is now even better than in 1990, but not if you look at the entire labor force.

To the question of the relevance of the Scandinavian experience in the context of the European social model. I will make some remarks on the basis of how I understand the discussion of the European social model. We have common problems in Europe which are partly of a demographic nature, partly of a social nature. We have low fertility rates. We have lone parenthood. We have also rising income inequalities in many countries and problems of integrating new immigrants. When you look at the future, we also have a common future of many old persons, of shrinking labor forces for demographic reasons, even a population decline in some countries, notably in Italy, and question marks concerning the future of fertility, question marks concerning the future of migration. We also have a question mark concerning the pattern of future family changes. These question marks are partly shaped by economic structures, but also affected by our political decisions. We at the Institute for Future Studies where I am currently working have spent some time on trying to rethink social policies in an aging society. The basic challenge, since social security is redistributive over the life cycle and especially in old age, the increased pressure on the public finances of aging populations. Whether we want to solve this via the public sector or the market or the family, that is an open question. But the aging population means that we have to devote more resources directly or indirectly to an elderly population. Too much of our attention in discussing this has been focused on the pension system, on the elderly care, or health care, and too little attention has been given to the future labour force, the future tax payers. We should think of our young people as the future tax payers. If we invest in our future tax payers then the burden of an aging population will be much easier to bear. It is a way of trying to urge rethinking and to have an investment perspective on the future of social protection. We need to think about improving our systems in many different ways. We need to think about incentives. We need to think about investing in people. We need to think about having the necessary social services for people to become future tax payers. And we also need to think more deeply about macro-economic policy. We must also create opportunities for people to become employed.

I think this challenge has a lot to do with gender issues and family formation. The current situation is that, if you ask the European populations about how they perceive having a child young women in Europe see a lot of negative consequences of having a child in terms of job promotion, working hours, having to quit job, etc , whereas very few men have these perceptions. Men have positive perceptions that having a child would increase social networks and quality of life. I think this is an illustration of some of the dilemmas that Europeans are facing for the future. When we ask the European population: what do you think governments should do about this situation of too low fertility rates? The answers are very much focused on the links to the labor market. Unemployment as such is the most important thing. But then factors linked to flexible working hours and child care and these things that enable a dual earner couple comes to the forefront. Traditional social policy measures only come second hand. This is how I see the basic challenge for the future European social policy.

What has now created an additional tension to the social dimension of European integration is the fact that European politicians see it as impossible to continue with political and economical integration because the populations have voted NO in the referendum for the new constitution. And they have to do something on the social model. And no one knows what the social model is. But then Barroso, the president of the European Commission, has defined what the European social model is. It is about social inclusion and equality of opportunity. I think that in these respects the performance of the Scandinavian countries are interesting because they are doing a better job in these terms. It is important to them to consider what the basic elements of these strategies are. I think it is also important to underline that it is difficult to achieve equality of opportunities if you don't have equality of conditions. What we also need to think more about is how we can put pressure on European politicians to give more attention to the social dimension. Here we have a strategy based on the

Lisbon Summit which was a response to the Single Market and the Stabilisation Pact. We have a number of quantified goals concerning employment, concerning sustainable pensions, concerning health care, concerning social inclusion. But I think that one should add a new dimension which has to do with families and children. This is the most forward looking way we can address the future of aging societies. We have some achievements in the European countries. But we also have failures. If we don't do like we have done previously, if we don't respond with political mobilisations to these new structural challenges, we are likely to miss an opportunity to create this European social model of social inclusion and equality of opportunity. Of course, this is about values. I think it is very difficult to have politics without values. If we have an agreement on the European level about some basic values this is a good starting point for discussing how we can approach this common future. Thank you.

### **Markus Marterbauer**

I think Joakim Palme has been providing an impressive overview of the Swedish model and recent reforms within the Swedish model. The main points have been that the Swedish model provides universal benefits, an earnings related social insurance system, a broad system of social services, strong participation of women not only in the labor market but also in the political system, in the society, and the importance of investing in children.

How could we use the experiences with the Swedish model for Austrian purposes? I see more or less two ways for an Austrian economic and social policy. The first way is a general cut in taxes and contributions with goals of 40% tax rates in 2010 and 33% in 2020, that is the official goal of the government, which implies cuts in public expenditures and cuts in social services and social transfers. The other way is providing a universal social system, especially comprehensive social services, which means that general tax rates and social security contributions have to be rather high. I think these are two main roads where Austria and many other European countries can go. The second road is the Swedish one, the Scandinavian model. There are important reform perspectives for Austria out of the Swedish experiences in at least three or four areas. The first area is the rate of female participation. If we look at the labor market we can see that female labor market participation in Sweden is about 71%. In Austria the official figures state a female employment rate of 62%, but we know that in reality it is around 57%, so there is a huge difference between these two countries. If Austria wants to reach the Swedish female labor market participation that would mean about 300.000 more women in jobs. On interesting detail in connection to the employment rates of women is that female part-time work in Austria is even higher than in Sweden. About 40% of women work part-time in Austria, about 36% in Sweden. The huge difference concerns hours worked. In Sweden on average women in part-time work about 30 hours per week, in Austria the relevant figure is about 20 hours per week. That leads to huge differences in income between women and men in Austria. In Austria we are facing more and more the problem of working-poor with women in the labor market or if one wants to turn the fact the other way round we face in reality much higher unemployment rates of women. And that means that we are running into an considerable poverty problem in our pension system.

What are the main elements of reform for increasing female labor market participation? Joakim mentioned the most important one. It is child day care facilities. I liked the expression of investing in children, in the future tax payers. If we look at the Austrian system of family policy we can say that this is stimulating mothers to stay at home to care for their children. Austria is spending about 3% of the GDP on family expenditures. These are rather high costs for the public sector. But 89% of this 3% of the GDP are going into cash benefits. 11% are going into day care centers. That is the main problem for the Austrian policy in this area. If we want to reach the Swedish levels of children in day care centers we would need about 50.000 places for children below 3 years, about 10.000 to 15.000 places for children between 3 and 6 years. And we are missing about 500.000 places in the area of school children. Reaching the Swedish level for children up to an age of 6 years would mean public money of about 800 million Euro in Austria. This is an enormous amount of money. But on the other hand the extension of the cash benefits for the parently leave system from 2000 onwards, costed about 600 million Euro. So it seems to be not a question of finance but a question of political options. Do we want cash benefits, the Austrian way, or the Swedish system which is providing day care facilities for children. The Swedish way allows high female labor market participation, improves the opportunities of children from low income households and is the best instrument in order to avoid poverty among families with children.

Sweden is nowadays in the EU not only seen as a role model for the social system, but for the combination of innovation system and social system. If one looks at the figures concerning technological innovation they are quite impressive in Sweden. The R&D rate is about 4% of GDP, in Austria a bit more than 2%, expenditures on information and communication technology amount for 8% of GDP in Sweden and 4% in Austria. Education expenditures 9% in Sweden, 8% in Austria. Sweden spends much more in this area of technological innovation. I think there is a close relationship between the welfare state and the innovation system in the sense the US economist Denny Rodrick mentioned. He says, people with a social insurance system who prefer a good social state, a well performing social state can be much more open for new ideas, for new technologies, new developments, and that makes up the openness for innovation, education, life-long learning. It seems that the social security system, the framework for social security, is one major determinant of the openness to innovation. I think Austria, of course, has a long way to go to reach the innovation system of the Swedish society. But innovation should not only be seen as technological innovation, it is also social innovation. Sweden is a country of social innovation. I mentioned several aspects of this, from high female participation to child care facilities.

I also want to mention the consensus principle in major reforms. Joakim showed us the pension reform in Sweden during the 1990's. This pension reform has been provided by a four parties agreement between the governing Social Democratic Party and the 3 bourgeois opposition parties. There has been a consensus about the reform. And it seems to be accepted broadly in public at least when one looks at the Euro-barometer on the trust in political institutions, the social institutions and especially the pension system. In Austria on the contrary the pension reform of 2003 has been decided in a big political quarrel, there was for sure no consensus about the pension reform. Trust in the public pension system has been declining considerably in Austria. People are investing lots of money in private pension schemes. And that is, of course, detrimental for macro-economic development, because increasing savings rates as we in Austria face it mean that consumption expenditures are depressed. And that is the major reason for a weak economic development since the year 2000.

I have some questions concerning Sweden as a role model for Austria and for the European system as well. The major question from an Austrian point of view is where does the mood of solidarity come from? What are the origins, what is the history of the framework of solidarity in the Scandinavian system? How does Sweden secure the political consensus? In Sweden there have been a lot of political quarrels as well when I remember the 1980's and 1990's and the split in the traditional social partnership system. But still there seems to be a consensus principle, an orientation on technological reforms, not so much ideological reforms. What are the major institutions securing this mood? Another question concerning the role of the economic crises in the early 1990's. Has this really enabled reforms? Do we need a crises in Austria for getting positive reforms? Joakim spoke about the need to develop a social dimension in European politics? How can this be done? On February 9 of 2006 there has been sent a letter of six heads of governments coordinated by the Swedish government to the Austrian Presidency concerning establishing a European pact for gender equality at the European level, bringing one important element of the Swedish model to the European level. This European pact for gender equality had several features for instance increasing women's employment, equal pay for equal work, more creative welfare systems, more employment friendly labour market systems for women, provision of care facilities, parental leave and so on. Is this the way of establishing the models on the European level in the Lisbon process? Or do we still have the orientation on the nation state as the main element of social reform?

### **Palme**

I am not sure I can respond properly to all of the questions. I think that it is clear that the kinds of investment linked to expansion of female labor force participation were made during decades, not from year to another. Also the part-time work has changed from short part-time to half-time to now something which is more and more coming to full time or to three quarters. You should see the dynamic way of this, to talk about these services as a way of enabling women to become tax payers. It should not only be seen as an expenditure but also you should look at it from the revenue side, that you get more tax money to support the system. This is also linked to a misunderstanding that the Scandinavian social expenditure is much higher than in Europe at large and to the OECD calculations of net social expenditures. We are trying to actually look on how countries are using both their tax system and their benefit systems for social purposes. France is the highest spender,

Germany is number 2, and Sweden only number 3. Denmark is lower than the UK. This can only be understood if you look on the tax payers. We should not confuse the success in terms of poverty reduction with the generous benefit systems, that lone mothers have been able to fight poverty on their own with market income, but only given that they can be provided with day care with heavy subsidies. There is also some hope if you are looking at the future that we should not accelerate the tax levels necessary for maintaining a Scandinavian type approach. We have to take it step by step and take a long term perspective. You can find factors that have made it easier for the Scandinavian countries to promote this strategy. I had a colleague at the Swedish Institute for Social Research, legendary labor economist Gosta Rehn. He went to Canada and explained the solidaristic wage policy. Then the Canadians said, we have weaker trade unions and they are more split. Rehn's answer was that; if it is more difficult, then you have to try harder. When we look into the future with aging populations we have to try harder if we want to achieve the same goals. Also linked to this is what you were touching on, that also the low paid can survive on their wages. This is now creating a big discussion whether we should lower employer social security contributions and payroll taxes for low income people in order to not price them out of the market. Whereas the traditional Social Democratic approach has been to say that we should get rid of low productivity employment and that we should promote high productivity employment and give decent jobs to the lowest paid persons on the labor market. The discussion is very much focused on these issues linked to employment.

Taking up your question on consensus. There has been a strong political conflict in Sweden for now 20 years which is linked to the neoliberal agenda, and where the conservative party and sometimes also the other parties on the center right have been following a very heavy tax cutting policy. But with the economic crises of the 1990's the Liberal Party abandoned that strategy. And for the past 2 years the Conservative Party has abandoned the neo-liberal rhetoric and is now not pushing for massive tax cuts. They are talking about small tax cuts for low and middle income people and about a step wise reform of the benefit systems in a more mean direction, but taking a very strong reformist approach and saying that they would like to evaluate each and every reform change they make. This is a new political situation where the possibilities of building consensus are better and taking longterm strategies, maybe not in an election year but perhaps after. We can also see a strong difference when it comes to views on how to deal with the future. But we are now talking more about tax increases or tax freeze not of tax cuts. This is how far we have come.

I am not so sure about the innovation systems and the welfare state. It sounds nice that the welfare states are for the innovation systems as well. I recently edited a book on the Nordic model. We had a chapter by a Finnish philosopher on IT. He claims that the educational systems and the funding of higher education are very important for explaining the success of the Finnish IT sector with some similar processes going on in Sweden. I don't think that innovation systems are independent of political institutions. But maybe we should also recognise that the private investment in research and development is what really makes the difference in Scandinavia.

You also raised questions if the Scandinavian countries and Sweden are more solidaristic in general. We have a long tradition of rather weak feudal structures and family farming, egalitarianism. But one should not underestimate the way that social institutions like a common pension system, a universal schooling system are creating a feeling of belonging to the same society. At least the purpose of some of these systems have been to foster that kind of feelings, not building on altruism but building on the identity of facing the same kinds of social risks, of ill health and unemployment. We have now an interesting development towards more individualism in combination with a reliance on collective institutions. This is really an interesting feature in the possibility of building on individuals' free choice plus trust in collective institutions.

I don't think that we actually need a crises to achieve change. That is exaggerating the effect of the crises. Some of the good reforms were not part of that. It takes time to make change, sometimes too long time. In terms of our aging populations we have some time but not too much time in order to prepare. I don't know if we can do it on the European level. We should use the European level as an arena for discussing common problems. We saw that in the early phases of social insurance in the 1930's. The International Labor Organisation played a very important role as a way of diffusing ideas, experiences and visions of how to use social security. Among the Nordic countries we see very strong examples of how the Nordic ministers of social affairs discussed

common problems, diffused ideas, harmonised the social protection systems. All this was starting in the 1950's. We could probably use the European Union as a similar arena for diffusing ideas without necessarily having a common policy. But on the other hand I think that one should not rule out that we can use this Open Method of Coordination (OMC) which no one knows what it is. Not even leading European politicians, I am afraid. It is a way of benchmarking social policy, a way of letting countries perform well on social policy issues and not only when it comes to inflation, public deficits and public debts. I don't see any reason why we should have sanctions when it comes to failure of performing economic goals and no sanctions when countries fail to deliver on the social policy objectives. We could probably benefit from having a more balanced European policy here. Insofar as we continue our economic integration we are becoming more and more dependent on how European markets develop. If we continue with population decline, this is not meeting expanding markets but declining markets. We are becoming more and more dependent not only on the economic policy but also social policy linked to family formation.

### **Question**

In the 20<sup>th</sup> century the Southern European countries, more Catholic dominated, had a high birthrate. Nowadays it has more or less changed from Southern Europe to Scandinavia. The population growth in Scandinavia is significantly higher since about 15, 20 years. This gap in Catholic and Protestant Europe means differences in integrated school policy and means mainly a difference since 300 years in the role of women in society and in church. You still have a church law which defines women to be quiet in church. This mentality goes on for hundreds of years as absolutist which was lacking in Sweden and Norway and partly in Finland. This makes very deep rooted differences. But you have to fight against them. In the Styrian People's Party there was a strong tendency 3 years ago to propose also integrated schools and day care possibilities for children in school. So these classic borders are somewhat more open than they have been.

### **Question**

You have mentioned before that in Sweden you have severe problems with poverty among immigrants. How is the Swedish answer to this problem? Is this also subject to very deep ideological discussions as in Austria where we have this FPÖ party which tries to make vote gains by blaming immigrants on being responsible for all the problems in the country?

### **Question**

Do we really want kapitalgedecktes Pensionssystem in Austria? These accounts that you mentioned, in German language this has to be translated into beitragsorientierte Pensionszahlungen. We have had big fights in Austria. The Swedish pension reform was really a consensual affair. In Austria this was not a pension reform, this was a reform that has to be termed pension cutting reform. That is a big difference. Moving to the future, OECD, and ILO, and Eurostat data have shown that the real big problems in the next years are regional inequality. With all this inflow of foreign capital that you have had, that was fueling the economic growth in Sweden, regional inequality surely has increased.

### **Question**

You have had discussions on the EU enlargement. Sweden is one of those few countries which have opened the labor market already at the beginning of the latest enlargement process. Did you feel some effects on the labor market from this? How important are these effects? Did you have any discussions on this?

### **Question**

Your exposition shows how the Swedish system really works and why it works and not how we think it does. Two things on the debate between the two of you. There is no consensus here, and there is consensus in all countries where reforms have been successful, especially in Sweden and Switzerland. Why is there no consensus? In Sweden there was a consensus between Social Democrats and Liberals and others. 85% of the Reichstag were behind the reform. Ferdinand Lacina is one of those who have been attacked by conservative trade unionists while he was still in office for being a too radical reformer. The government would not have come into being would not the trade unions have blocked their own coalition agreement with respect to the pension reforms. Obviously within the Social Democratic Party there was no consensus of where to go. And many of the reforms having been carried out in Sweden obviously would have been out of question for Austrian

trade unions. One should keep this in mind. Technological innovation becomes ever more important the more growth will not be driven by employment. After 2012 it will only be driven by productivity. So you do the right thing. The question is how can you do the right thing? How can you invest in pensions, health, social services, child care? You are restrictive in some areas. Having more taxes is not the answer. You said 18,5% is an awful lot. We have 22,8% on paper, and de facto 31,9% is the implicit contribution today which is 13% higher than yours and we still feel it is not enough. As you make some savings in the pension area you can invest into technology, innovation, productivity and also child care. Markus gave a very good example. We spend so much on the Kinderbetreuungsgeld, it would have been the same costs to invest in child care, kindergarden. But actually we spend twice as much each year on Ersatzzeiten on the pension credits for mothers, out of work or not, year by year 1,2 billion Euro which is six times the amount of the Kinderbetreuungsgeld. Only on this one spending item. Obviously, the money can be spent only once. If you spend all of it on transfers you have much less for other things. We have spend almost everything on transfers with pensions, with health care, with child care. We give everything into the monetary transfers and nothing into the job machine, the job creating service sector which is also privatised to a large extent in Sweden. Again something which not even within the Social Democrats there would be any consensus in Austria. We also have a problem to make up our minds. And some of the reforms having been carried out in Sweden, of course, have been termed neoliberal in the Austrian context.

### **Question**

My question is also related to societal consensus. More precisely it is about consensus among tax payers. How do you achieve this consensus and how do you achieve that tax payers don't run away?

### **Palme**

Another set of interesting but difficult questions. Taking the question on the effects of EU enlargement on migration in Sweden, they have been lower than expected. I would recommend to keep an eye on the webpage of the Institute for Future Studies because we are coming out with a new report which is comparing migration after EU enlargement in Sweden, Austria, Germany, and Britain.

With regard to the provocative question on why funded individual accounts? I would perhaps not recommend Austria to follow that path. Individually funded accounts with individual risk taking is to me an alien element in the social insurance system where you are supposed to share risks. It is also a costly system. Because the Swedish system allows you as a contributor to change the fund manager of your assets every working day in the week, all year round. There are more than 600 different fund managers that you can choose between. There is too little of consumer protection in that system to make it defensible. I would look to American systems of doing roughly the same things which are less costly and much more protective of individual consumers. I argue against your phrasing of it as a pure cutting device, cutting of public spending. The fact is that contributions increased to the pension system as part of the reform. Expenditures have risen as a consequence of the reform because benefits are indexed with wage development. In the longer run with an increasing aging population and if we don't increase employment as much, then, of course, it will mean less pensions. But my prediction is that any pension system would have to be reduced downwards if we cannot increase the number of tax payers. This is exactly what happened during the crises of the 1990's. Indexation of benefits were manipulated, actually achieving the same thing as would have been achieved automatically with the new system. You are right about the regions and where the local welfare state is strong. The fact that we want to have equal rights for citizens wherever they live in the country is increasing the pressure on the state to redistribute resources regionally. This is not without political problems. This is one of the big issues for the future to reorganise Sweden regionally so that it can meet up with the challenges of an aging population with great national variation.

The issue of poverty among immigrants. I don't think it is primarily a poverty problem. They have low incomes. But the protection system gives them incomes above the poverty line. But it is mainly a problem of unemployment and longterm unemployment, not only for immigrants themselves but also for their children, being not exposed to employment and a working life but to longterm unemployment. It is still the case that the longer you live in Sweden the greater the labor force participation. But those who came in the middle of the crises are still lagging behind in that process.

The question on consensus. There is not a real consensus in the sense that everybody loves to pay taxes. Especially this time of the year we have to file our income declarations. Even I complain about the high taxes during these weeks. There is a link here. People are willing to pay taxes if they get good enough services. I mentioned health care as a critical sector in the late 1990's where people were complaining about the level of services, and they were not getting value for their tax money. Then you lose that consensus. By and large there seems to be a large majority for a big welfare state. This has been identified by the major political parties. And this is why neoliberalism has come to a hold at least.

Bernd Marin raised some important questions with regard to the failure of reaching consensus on the Austrian pension reform. I would not have predicted consensus in Sweden. Partly because of the very strong conflicts in the old days with regard to the pension reform. Also the trade unions accepted this reform for partly different reasons, partly because some trade union economists were important in formulating the guidelines for a new reform, and partly because they also saw that they not only had the public system to rely on but also occupational, rather universal benefits on top.

You are asking difficult questions for Austria in giving priority to different kinds of spending. In Sweden it is also linked to the fact that we have subsidised services for old people. They are not only relying on the pensions. Maybe here we find the difference between Sweden and Austria which might be an enabling factor to reform the pension system. I am not saying that we should slash pension expenditures. The pension area is perhaps the only area where there are functioning private alternatives that can be put on top on public solutions and where people can take a longterm view. It is much more difficult with education and family formation to put the responsibility on the individual.

### **Question**

I was a bit surprised by your interpretation of drawing the common themes between Sweden and the European Union. You mentioned that low fertility is one of these common themes. From the literature the Scandinavian law is mentioned as one of the best practices in providing both high female labor employment, high female labor participation and high fertility. It is kind of having the best of both things together.

### **Question**

The guaranteed pensions that you mentioned that will be available to the people in the future effect adversely the incentives to work. If people think late in their working life that they will have a guaranteed pension available it is likely that their incentives towards more work will not be great. But at the same time we know that in this aging society and given gains in life expectancy we need to have more and more people working in their old life. So there seem to be two contradictory messages coming from the same system. I wondered whether I picked up this contradiction correctly?

### **Palme**

With regard to low fertility. Fertility levels among the Scandinavian countries are higher than in Europe in general with the exception of Ireland. It is still lower than the replacement rate. We do not have a stable population development. This might not be a huge problem. We can deal with that. I think it is a welfare problem in the sense that people have fewer children than they want to. We have seen during the 20<sup>th</sup> century that Swedish women on average have two children. But we had a decline in fertility during the crises in the 1990's. This was especially affecting women with a low attachment to the labor market and low education. I think that there is an equity issue and a welfare issue that we should put even more emphasis on policies that enable fertility rates to reach the level people would like them to be.

When it comes to late work and retirement. I would not say that the new system is giving huge benefits. That would be misleading. But it means that each additional year you work will mean a higher benefit. Now we have an individual right to work until you are 67. But you can work even beyond that and postpone your retirement. Or you can draw your pension and still continue to work. But I would not exaggerate this incentive change because also the old public system was fairly good in terms of providing rather good incentives for people to continue working. We had major problems with the occupation in private pensions in that respect. But what we have also seen when we studied the Eurobarometer is what people say is most important for their

desire to continue to work is not pension benefits and pay levels but if the quality of jobs is good. We should spend more time on that issue and not only to talk about one Euro extra or less. We should also recognise that work has other potential benefits to you than providing an income.

Coming back to the question on the longterm value changes. This should not be underestimated to explain the current institutions. My guess is that values are changing and younger women are participating in the education system. In Sweden, in the UK and maybe in Austria they are performing better than men on all levels of education. We can see the low birth rate in Europe as a birth strike, and that the old divorce laws that we have still in the Southern European countries, in Greece, Italy, and Spain, is another way of reducing the degree of freedom of action for women. This is not sustainable with the kind of secular value changes that we see with the younger women. But the system of social protection will not change without political mobilisation. This is the lesson you can learn from the Scandinavian experience.

### **Lacina**

Thank you very much. Some months ago the European Commission tried to regroup the member countries of the European Union. One of these groups was the Scandinavian countries with rather high economic growth and rather low unemployment. Another group was Central Europe. Austria was put into the group of Central Europe at that time. I remember quite well that Mr. Schüssel protested very loudly and said, Austria is a part of the Scandinavian group. I think what we learned today is that there may be some contradiction between the aims of the Austrian government towards tax policy. There may be still a long way to go if you look at family policy or if you look at education policy. We are grateful to Joakim Palme for coming to Vienna and giving this very interesting lecture and answering all these questions and to Markus Marterbauer for putting a lot of these questions. Thank you.