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Inclusion of the European Nordic model in the debate concerning social protection reform: the long-term development of Nordic welfare systems (1890-2005) and their transferability to Latin America in the twenty-first century

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Abstract

What is the relevance of the Nordic model of social and labor market policy in Latin America today? This issue is explored by an examination of how the Nordic systems of social protection developed institutionally, and what role has been played by the labor market context. The report also discusses what “best practices” of a “Nordic model” may be imported into a Latin American context. Further, how does globalization affect possibilities thereto? This report provides the following kinds of evidence on these questions. Firstly, the Nordic model has developed gradually, from mainly voluntarist origins, not least in sickness and unemployment insurance. The Nordic model has also generally been supported by its labor market context—universalism was enabled by full employment. Secondly, regarding policy transfer, differences between the Nordic countries and Latin America are major but not insurmountable—not least GDP/capita levels in Nordic countries were low when the universalism of the Nordic model was established, and Latin American GDP/capita levels of today compare favorably to these initial levels. Finally, regarding globalization’s role and “best practices”, there is little indication that Nordic social policy programs would be predicated on lack of openness to the global economy. However, Latin American decision makers may need to critically re-evaluate emphases on occupationally segregated benefit administration and targeting in their own social security systems. Particularly regarding targeting, high implementation costs, uncoordinated gaps in coverage and take-up, as well as segregation of poor service and benefit recipients may be institutional features which inflate overall costs of targeting on the margins, and also hurt the poor.

1. Introduction

The overall objective of this report is to describe the Nordic model with special emphasis on its mechanisms for social protection from health hazards, aging, invalidity as well as its poverty reduction programs. More precisely, seven basic questions will be addressed in the report: 1) How have “Nordic models” of social protection evolved and changed historically over long historical time periods? 2) What principles of coverage and structure have been central—with an emphasis on coverage universalism, but also other social protection system objectives? 3) What role has been played by the labor market context for system development? 4) What replicability difficulties are central to consider in importing Nordic models of social protection into a Latin American context, to the extent this is possible? 5) To what extent is individual choice of social protection programs, with special emphasis on internationally portable benefits, possible to guarantee in Latin American social protection systems remodeled on Nordic lines? 6) What possible “best practices” are possible to identify, with emphasis on the areas of pensions provision and health care? 7) How does increased capital mobility affect the possibility of maintaining or increasing corporate taxes and social insurance contributions, and hence the financing and solidarity of welfare systems? There is thus an underlying interest in the Nordic model, which is about its pros and cons and its relevance in Latin American and Caribbean contexts.

The seven questions will be addressed in the report more or less as follows: The first subsequent sub-section deals with basic working definitions of the Nordic model. We will here also sketch out the overall logic of the model, and outline its most often espoused policy objectives of equality, poverty reduction, and full employment. This first section also sets out a number of stylized facts on how well these policy objectives have been fulfilled in the Nordic countries. The second section deals with the Nordic model's historical background and institutional evolution since the mid-1800s, as well as its outputs in terms of increasing universalism of policy coverage among populations targeted. The third section discusses the role of labor market context, with bearing specifically on labor market regimes. The fourth section deals with a number of reasoned objections to and challenges to the Nordic model of welfare, both as "currently rooted" and in potential transfer elsewhere—that it may cost too much, that it may entail significant disincentives to work, and that it may include programs that are not sufficiently portable, and/or entail much too high tax pressure, in an increasingly globalized world and in increasingly more integrated world economic regions. The fifth section deals directly with the larger issue of how similar key Latin American comparison cases and social policy development trajectories seem to be in major social respects with the Nordic countries, either at introduction of key Nordic social legislation or in later periods. This section also sketches out some aspects of Latin American social security systems currently in place. A sixth and final subsequent section brings together major currents in issues dealt with together with the questions outlined above, in more or less the order first listed.

2. Definitional issues regarding the Nordic model and key measures of system performance

We should perhaps be careful of arguing too strongly that there is such a thing as a unified "Nordic model" of welfare policy at all. There are, however, undeniable and striking similarities among the Nordic countries' social security systems in a wider comparative perspective. In what follows, we will outline these similarities, while simultaneously recognizing national specificities. The point of this section is to review some "stylized facts" about how far the Nordic model has gone in reaching major objectives in practice, as well as to give an initial sense of what the Nordic model's major components have been.

The Nordic model can be summarized in terms of three major sets of policy measures, or societal domains to which these measures are oriented: social insurance and/or cash transfers, social services, and labor market policy, as well as partly distinct modes of financing and organization associated with each (see Tableau 1). The kinds of programs pursued within each domain will be dealt with in greater detail below, but can be discussed here in terms of the social achievements which they to a considerable degree have consolidated. The Nordic countries show perhaps the greatest degree of commonality in services and in labor market policy—not least in thus attaining high female labor force participation, via a "dual earner model" of both social and labor market policy. However, the Nordic countries have also had significantly common approaches to social transfer benefits for old age pensioners, the sick, and the unemployed.

Cash benefits “targeted” only to the poor have been used, but are today secondary in importance—“first tier” basic security benefits for all citizens and/or residents, as well as “second tier” social insurance benefits for the economically active, are now much more prevalent instruments. Whereas these social transfer systems have been most “active” in equalizing the overall distribution of income, social services are arguably of utmost importance for combating poverty (see e.g. Smeeding et al., 1993), with labor market policy yielding low levels of unemployment.

Tableau 1

**MAJOR INSTITUTIONAL COMPONENTS OF SOCIAL PROTECTION,
WITH ATTENDANT FINANCING AND ORGANIZATIONAL MODES**

Institutional components or domains, with subcomponents or characteristics	Modes of financing (if specifiable)
Social transfer system: --Universal “first tier” social transfer benefits --Earnings-related “second tier” social insurance --Targeted benefits to poor (secondary importance)	--Central taxation (state general revenue) --Employer (also employee) contributions --Local taxes with state subsidies
Social services: --universal --decentralized --separated from cash benefits	Local taxes with state subsidies; Some user fees
Labor market policy: --Dual earner model --Full employment policy --Active labor market policies (ALMPs)	--ALMPs: largely central taxation (state general revenue)

As Tableau 1 indicates, there are differences across policy domains in terms of what kind of public financing has been used for the Nordic models. Not least for “second tier” social insurance benefits, employers’ social security contributions have been more important than the state taxation typically financing “first tier” basic security benefits equal for all citizens. The degree of statism has also varied, with municipal and regional taxes being the major source of financing for social services for the elderly and for children. Yet there are also systematic differences between Nordic and other European countries’ modes of social policy financing. Continental European countries have utilized occupationally based and segregated “state corporatist” social insurance systems, with attendant greater dependence on contributory financing. The Nordic countries differ from this tradition overall precisely in combining taxation with contributions, with attendant greater societal solidarity and redistribution.

Whatever the specific instruments used, also discussed below, it appears that the Nordic countries have done collectively quite well at reaching three overall objectives often ascribed to the Nordic models’ planners. As noted, these are high income equality, low poverty rates, and strong labor market performance (regarding employment, unemployment as well as labor force non-participation). This certainly regards income inequality and poverty rates in the mid-1980s (see Korpi and Palme, 1998), but to a considerable degree also in the more trying times of the mid-1990s—these are dealt with in below in Table 1.

Table 1

INEQUALITY (GINI) AND POVERTY RATES IN DISPOSABLE INCOME BY AGE AND TYPE OF SOCIAL INSURANCE INSTITUTIONS: 11 OECD COUNTRIES, IN 1999 OR 2000*

Type of social insurance institution/country	Inequality (Gini coefficient)			Poverty Rate (percentage below 50 percent of median income)		
	Total population	25-59 years	65 or older	Total population	25-59 years	65 or older
Encompassing						
Finland	0,242	0,236	0,221	3,7	3	1,4
Norway	0,241	0,234	0,199	4,1	2,7	1,4
Sweden	0,243	0,236	0,204	5,4	3,9	2,4
Corporatist						
France	0,288	---	---	8,0	---	9,8
Germany	0,264	0,252	0,245	7	4,5	5,2
Basic Security						
Canada	0,300	0,294	0,247	11	9,4	2,2
Netherlands	0,268	0,274	0,235	8,4	8,4	3,5
Switzerland	0,293	0,292	0,270	7,4	6,2	8
United Kingdom	0,343	0,332	0,284	11,4	8,6	12,5
United States	0,376	0,359	0,366	16,7	12,1	17,6
Targeted						
Australia	0,311	---	---	14,3	---	29,4

Sources: Luxembourg Income Study, n.d. For France and Australia, data is as published in LIS data key figures at <http://www.lisproject.org/keyfigures/ineqtable.htm> and <http://www.lisproject.org/keyfigures/povertytable.htm>, logdate 2005-02-01. On methods as specified below, <http://www.lisproject.org/keyfigures/methods.htm>, logdate 2005-09-15.

* **Note:** Overall, total population defined as those aged 20 or more. Equivalence scale puts a weight of 1,0 on the first adult, 0,7 on the second adult and 0,5 on each additional person regardless of age (Korpi and Palme, 1998: 684). Data pertains to 1999 for Netherlands and the UK, and to 2000 for the rest of countries where updated estimates are available. Estimates for France and Australia pertain to 1994 or 1995, and are also (given current unavailability of later data, or of comparable recalculations on earlier data) based on a different set of methods and calculation assumptions than all other estimates in the table—see Appendix for detail.

Overall table abbreviation legend: n/a = not applicable; --- = data missing, or available estimates too incomparable; Omitted = underlying data available, but a) not possible to permutate or b) calculations problematic to report for other reasons.

It can be noted in Table 1 that income inequality, as well as relative poverty—in the population at large, within the working age population, and among the elderly aged 65 or older—are generally lower in the three Nordic countries most thoroughly using an “encompassing model” of social insurance including both “first tier” and “second tier” benefits, as compared to OECD countries adhering to other institutional traditions. Although some countries predominantly mainly making use basic security programs (not least that of the Netherlands) evidently also do quite well at attaining low poverty, some of the greatest poverty rates in the sample, specifically in the UK and in the USA, are to be found in this group. The estimates for the late 1990s or early 2000s in Table 1 thus indicate that the Nordic “encompassing approach” can still be viewed as the most effective poverty-fighting strategy on average also in more trying times.

However, the Nordic model also counteracts poverty by other means than transfers—not least family policy, employment policy, and the extensive social services provided through municipalities. On this last score, we are speaking of something like “the local welfare state.” Thus, citizens’ life chances and employment are improved, and poverty potentially decreased, through social services provided locally, mainly to the elderly or to families with children. At least in Sweden, extensive health care services are also organized and provided regionally—through the regional parliaments (*landsting*) charged with financing and largely also providing health care.

There are good reasons for seeing also Nordic welfare services in terms of social citizenship rights. The care services strategy whereby the elderly use various supportive arrangements that enable them to continue living independently, insofar as they themselves desire and are able to do so, is also a means of economizing on limited resources. When this is not possible, alternative forms of care must, of course, be available. These various forms of accommodation—service accommodation, residential homes and nursing homes—make it possible for the highly expensive option of hospitalisation to be extensively avoided.

Besides social transfers and services, labor market policy also has had an important role to play in the Nordic model—here most evident in its apparently strong benchmark performance in affecting employment and unemployment. Major indicators of this are reviewed below in Table 2 for similar benchmark years as for poverty, but here going somewhat further back (to 1960 when available), and here in comparison to EU and OECD averages. It can be argued that the Nordic countries' generally strong emphasis on labor market policy activation has both been made possible by, at the same time as it also arguably enables, high levels of employment (and labor force participation more generally), as well as what have largely been relatively low levels of unemployment.

Table 2

EMPLOYMENT/POPULATION RATIOS, UNEMPLOYMENT RATES AND LABOR FORCE NON-PARTICIPATION IN THE NORDIC COUNTRIES AND IN THE EU (ON AVERAGE) 1960-2000

Employment/population ratios (total employment as a share of population aged 15-64)						
<i>Country/year</i>	1960	1973	1983	1990	1995	2000
Denmark	69,8	75,2	71,7	77,1	73,4	76,4
Finland	76,9	70	73,2	74,1	61,3	67
Norway	63,5	67,7	73,9	73,9	74	77,9
Sweden	73,1	73,6	78,5	80,9	71,1	74,2
EU-15	66,3	64,4	59,3	62,3	60,2	63,7
Standardized unemployment rate (% of labor force)						
<i>Country/year</i>	1960 *	1974	1980 **	1990	1995	2000
Denmark	1,9	3,5 ***	6,9 ***	7,2	6,8	4,4
Finland	1,4	1,7	5,3	3,2	15,2	9,7
Norway	1,2	1,5	1,7	5,3	5	3,5
Sweden	1,7	2	2	1,7	8,8	5,9
EU-15	2,3	2,9	10	8,1	10,5	8,1
Labor force non-participation (100 minus participation rate) ****						
<i>Country/year</i>	1960	1970	1980	1990	1995	2000
Denmark	28,8	25,1	19	17,6	20,5	20
Finland	22	28	23,6	23,5	27,7	25,7
Norway	35,7	35,9	24,7	22,9	22,6	19,3
Sweden	25,7	25,7	19	15,4	20,5	21,1
EU-15	31,7	33,7	33,5	32,6	32,6	30,4

Sources: For employment/population ratios, OECD Historical Statistics (1989: 38) for 1960, OECD Employment Outlook (1996: 186) for 1973-95 and (2005a: 238) for 2000. The EU-15 figure for 1960 refers to "Total EEC" in the source. 1990 comparisons for employment/ population ratios between the two latter sources indicate certain revisions, upward by more than 3 percent of the population for Sweden in this year. For unemployment rates and labor force non-participation, since 1980 and throughout respectively, taken and derived from (respectively) Andersen and Bendix-Jensen (2002, Tables 2.3 and 2.1.) For unemployment rates in 1974 (1974-1990 for the EU-15), OECD Historical Statistics (1995: 47). For (non-standardized) unemployment rates in 1960 (1960-74 for Denmark), OECD Historical Statistics (1995: 45). See also notes below. Some series breaks take place (see original sources.)

* **Note 1:** For 1960, all unemployment rates are non-standardized.

** **Note 2:** For the EU-15 in this column, the figure refers to the year 1983.

*** **Note(s) 3:** Danish unemployment rates up to 1980 are not standardized.

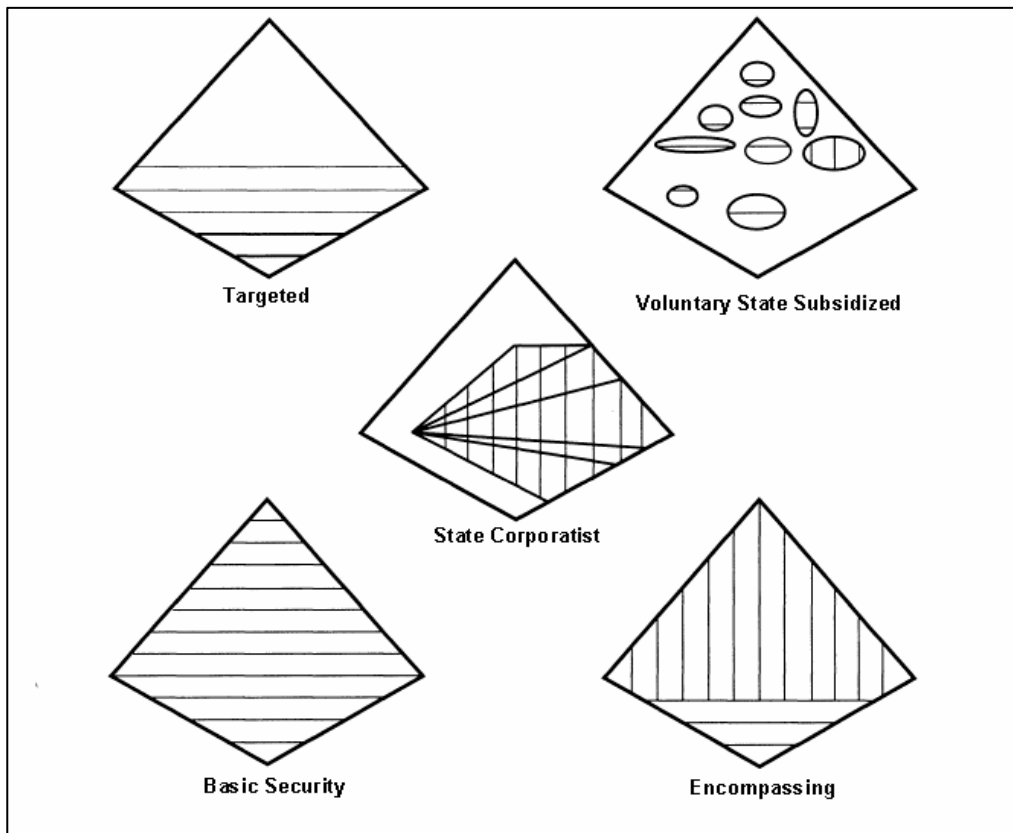
**** **Note 4:** Labor force non-participation is calculated as the difference between 100 and the total labor force (all ages) as a share of the population aged 15-64 for 1960-80, and as 100 minus the labor force participation rate among population aged 15-64 years for 1990-2000.

With the exception of Finland in the mid-1990s and in the year 2000, where the post-1989 collapse of Soviet trade and an extremely bad experience of the more general Nordic depression of the 1990s hit the country hard, employment shares in relation to the population have been higher, and standardized unemployment rates lower, than in the EU on average—ever since the 1973 oil crisis. Perhaps even more importantly, shares of labor force non-participation have been lower in the Nordic countries than in the EU throughout the period examined. It thus appears that generous programs of social transfers, as well as of extensive albeit often indirect state intervention in the labor market, have been quite compatible with a more overall economic policy of full employment and well-integrated labor markets in the Nordic context.

Going more precisely into mechanisms by which policies have made a difference, how has all this been achieved? Starting with major components of the welfare state, we have the social insurance system and its institutional design. One way of characterizing the models for dealing with these programs is detailed below in Figure 1 (see Korpi and Palme, 1998).

Figure 1

MODELS OF SOCIAL INSURANCE INSTITUTIONS



Source: Korpi and Palme (1998: 667).

Note: The four-sided figures above represent the social structure and income distribution prevailing in most highly developed Western societies in the early 2000s, with high income earners at the top and low-income earners at the bottom, and the size of population shares at ascending income levels represented by the figure's breadth. (In other societal circumstances, an alternate "pyramidal" form could also prevail, with masses of poor at the bottom with very low registered incomes, and a much higher and narrower high income earners' share). White areas represent sectors of society not covered by social insurance programs. Horizontal lines indicate flat-rate or minimum benefits, vertical lines income-related benefits. Ellipses in the voluntary state-subsidized model indicate separate insurance funds, constituted on the basis of locality or broader membership. Angled lines in the state corporatist model indicate programs organized separately on the basis of occupational affiliation (partially derived from Korpi and Palme, 1998: 667).

The social policy institutions schematically reviewed here can be viewed as embodying different answers to the overall institutional design question of how to promote or hinder social participation. The targeted model follows the same principles as Robin Hood applied by following the means-testing principle, and only taking from the rich and giving to the poor by financing benefit payments from general taxation. The basic security model follows a simple egalitarian strategy by paying flat-rate benefits, i.e. providing the same benefit levels to both rich and poor. The corporatist model, in its classical form, redistributes resources primarily within different so-called corporations, separated by occupational affiliation for different groups on the labor market. The encompassing model, by relying on universal earnings-related social insurance benefits, gives in fact more to those who already have, following the preaching of Matthew rather than that of Robin Hood. However, in reality, most countries apply combinations of different kinds of program, and the relevance of different principles varies between sectors. Even if the earnings-related principle might be central to social insurance it is less applicable in, for example, the provision of social services.

The core issue is whether there are trade-offs between the provision of different kinds of benefits. With Gordon Tullock (1983) we could hypothesize that the more the welfare state programs are directed towards the non-poor the more the worst-off in society will lose out. In reality, and contrary to Tullock's expectations, it seems to be that the more the middle class is involved in the welfare state, the better the provisions and situation will be for vulnerable groups and the more social inequalities will actually be reduced by tax/transfer programs (see e.g. Nelson, 2005). The reason might be found in the way interests are organized in different kinds of social policy models. Here, a vital distinction has to be made between the distributive profile of benefits and taxes on one hand, and the size of the sums that become subject to redistribution on the other. Moreover, there appears to be a correlation between the distributive profile and the size of sums for redistribution - the more benefits are targeted, the smaller the sums will become. This gives rise to a strongly positive correlation between the size of sums and the size of inequality reduction. But, paradoxically, the more benefits are targeted to the poor in a country, the smaller is the reduction in inequality achieved by the welfare state (Korpi and Palme, 1998). This is crucial for understanding the distributive outcomes as evidenced in Table 1.

At the same time, as noted, also social services have had a vital role to play in equalizing the life chances of the population. In regard also to labor market equality, the Nordic countries are probably the best examples of how the "male-breadwinner" model has been transformed into a "dual-earner" model. The expansion of child care and care for the elderly are here important, as resources for women with care responsibilities as well as employment opportunities. Both cash benefits and tax systems came to be based on strong individualization of rights and responsibilities. This stands in sharp contrast to the traditional way of designing these systems in the countries of Continental Europe with much more emphasis on family care and a traditional gender division of labor, even if there have also been some changes in that part of Europe more recently. When it comes to the distributive outcomes, it appears that the Nordic dual-earner model is more efficient in terms of combating child poverty than both the male-breadwinner model and more market oriented solutions. Moreover, this is a pattern that has been reinforced over the past decades (Institute for Futures Studies, 2004).

The multiple institutional developments which have yielded the Nordic models' various components—in transfers, services and labor market policy—have, however, naturally not emerged rapidly. Social reform has, to the contrary, been very gradual—below, we see how.

3. Historical background analysis of long-term changes in the Nordic model

What are the major points to be made about how the Nordic model has developed historically, as argued for below? Firstly, policymakers did not have very strong prior “blueprints” for such a model, but were in some disagreement on what objectives were important and how these were to be achieved. Secondly, developments took place very gradually, and in close “path-dependent” logic with respect to prior decisions already taken. Thirdly, “statism” varied in strength—initiatives to develop the Nordic model were also taken “from below” by voluntary organizations. Fourthly and finally, programs developed only slowly towards realizing their emerging goal of universalism—that is, of including everyone in the broadest of target populations possible. Whereas political mobilization made increasing universalism possible, also changes in the structure of the economy and in party coalition compositions were crucial in bringing this about.

What programs can be studied in gaining a sense of what the “Nordic model” may have consisted in? Delineating this can be done in terms of the societal risks which major social programs can be said to counter or compensate: aging, labor market insecurity, health hazards (including disability), parenthood, and the most overarching risk category of poverty—the last of these risks is of course transversal, in the sense that people may end up here not only directly by virtue of low market income, but also by way of exposure to the other major “social risks”. One program providing against the first

risk of old age, particularly of attendant declines in income, will be focused on—that of old age pensions, although care services to the elderly are also briefly considered. Regarding the second risk of labor market insecurity, we consider the development of so-called active labor market policy programs, but also that of “passive” unemployment insurance, within the context of labor market regime development.

The third risk category of health hazards and disability here deserves more detailed initial attention, insofar as both the risk concept and programs oriented towards it are often over-aggregated in policy discussion. Arguably, “health hazards” in the broadest sense cover at least four kinds of health problems—potentially overlapping, but which are often dealt with by separate social programs. These health problem categories are those of work accidents, short-term ill health, disability (longer-term to permanent, which may have arisen also outside of work, but usually excludes work re-entry for its duration), and invalidity (which may even allow work, but which is usually permanent). Further, any of these health risks may be addressed by one or more of at least five different social programs against them: work accident insurance, sickness insurance (including cash sickness benefits, health care benefits covering hospitalization costs, or both), direct public health care provision, disability and/or invalidity cash benefits (usually provided through the pension system), and rehabilitation programs aiming at work (re)entry, with or without benefits or subsidy. It will be utterly impossible to comparatively deal with each and every kind of risk or intervention here (for literature on one or a few of these at a time, see Bloch and Prins, 2000; Prinz, 2003), although the multiplicity inherent to the “health hazards” concept should nevertheless be kept in mind.

Of those programs which are addressed here, two are transfer programs addressing income problems resulting from the risks of work accidents or short-term ill health—these are work accident insurance as well as sickness insurance.¹ Regarding the longer-term health risk of invalidity, a transfer program addressing it will also be briefly focused upon: public transfer benefits to those suffering permanent disability, whenever this program is separately identifiable. Finally, also a category of services is here dealt with separately, potentially addressing all health problems regardless of how they have arisen or of how long-term they are: namely, the system of direct public provision of health care.

The fourth category of “social risk” mentioned initially, parenthood, is also worth separate mention. One major class of programs which seems to have worked above all to reduce poverty among children is thus family policy. Two transfer programs will here be focused on. The first of these is cash child benefits—usually paid out in small flat-rate benefit sums per child, to compensate families for living cost increases resulting from “new arrivals.” The second of these is parental insurance—either maternal, paternal, or dual parental, in the last case paid out to both or either parent regardless of gender, to compensate for wage income loss during times of concentrated caregiving when children are small. Albeit again briefly, and here in greater detail in the next section, also family social services will be dealt with.

The fifth and final, more transversal social risk category mentioned initially in this section, that of poverty, here deserves separate introduction. Separate categories of provision for this risk do exist: these “social assistance” programs, also possible to refer to as “minimum income protection” (Nelson, 2005), have existed also in the Nordic countries as systems of “last resort” for those not “caught up” in the other social safety nets discussed above. It is, however, argued that the Nordic model’s perhaps most recurrently positive outcome, that of considerable poverty reduction, has to a great extent not really been generated at this point in the welfare system. Although minimum income protection systems still used in

¹ Sickness insurance is here defined as both sickness cash benefits, replacing lost work income, and health care benefits, replacing costs directly attributable to e.g. hospitalization. The sickness insurance program in all Nordic countries now incorporates both kinds of benefits, although historically these programs have not necessarily been legislated simultaneously. In cases where these benefits have been demonstrably separate, or whenever not specified otherwise, “sickness insurance” here however refers to the public program for cash benefits replacing lost work income.

the Nordic countries will be discussed, it will here be argued that poverty is here more interesting to study as a program outcome rather than a specific program target, and that major decreases in poverty in the Nordic countries have arisen largely by other social policy mechanisms than through programs specifically targeted against poverty. The Nordic experience gives some reason to believe that it is perhaps a strong program for full employment and for comprehensive social insurance to the whole population which arguably has constituted the “best” anti-poverty program—not least, as is now argued, to parents, otherwise a risk group for ending up in poverty (see e.g. Nelson, 2005; Ferrarini, 2003; Institute for Futures Studies, 2004).

The development of these programs is treated here as coterminous with the development of the Nordic model of social security over time. Table 3 below indicates when the fairly various timings of these programs’ emergence, and/or major extensions through so-called “continuation laws”, can be timed.

Table 3

FIRST AND SUBSEQUENT MAJOR NATIONAL SOCIAL INSURANCE LAWS, HEALTH SERVICES DEVELOPMENT, SOCIAL ASSISTANCE LAWS AND FAMILY TRANSFERS IN THE FOUR LARGER NORDIC COUNTRIES, 1891-2005 (YEARS IN WHICH LAWS EFFECTIVE, IF REPORTED IN SOURCES; OTHERWISE ENACTMENTS)

Country / Scheme *	SocI asst.	Work acc. in.	Old age pens.	Sickness in.	Unemp. in.	Disab. in.; Hlth bnfts.	Family policy
Denmark	1803 (o) 1976 (m)	1898 (e) 1916 (c)	1891 (t) 1960 (b) (1964 er) (1998 sp)	1892 (v) 1972 (c)	1907 (v)	1921 (i1) 1984 (i2) 1971 (h2)	1952 (bt) 1961 (bu) 1972 (bt) 1984 (dpi) 1986 (bu)
Finland	1852 (o) 1982 (m)	1895	1937 (c) 1956 (b) 1961 (e)	1963	1917 (v)	1967 (h1) 1972 (h2)	1948 (bu) 1980 (dpi)
Norway	1845 (o) 1965 (m)	1894	1936 (t) 1957 (b) 1966 (e)	1909 (cp) 1956 (c)	1906 (v) 1938 (c)	1982 (h2)	1969 (bu) 1979 (dpi)
Sweden	1847 (o) 1980 (m)	1901 (e) 1916 (c)	1913 (m) 1946 (b) 1960 (e) 1998 (r)	1891 (v) 1955 (c)	1934 (v)	1931 (h1) 1970 (h2)	1948 (bu) 1974 (dpi)

Sources: US Social Security Administration (1989) for social insurance laws before 1989, and (2005a) for post-1989 laws and consistency cross-checks. Other social insurance and health care references: Carroll (1999), Gordon (1988), Väisänen (1989), Palme (1990), Kangas (1991), Kangas and Palme (2005), and Flora (ed.) (1987, Vol. 4: 11-15, 80-82, 137-40, and 204-06). For social assistance, Flora (ed.) (1987, Vol. 4: 23-24, 88-89, 144-45 and 210-13); Lin and Carroll (forthcoming; cf. Kuhnle, 1981: 137, Table 4.4; Salminen, 1991: 54). For family policy, US Social Security Administration (2005b), <http://www.ssa.gov/policy/docs/progdesc/ssptw/2004-2005/europe/denmark.pdf>, logdate October 13th, 2005; Wennemo (1994: 64, Table 1); Ferrarini (2003: 41, Table 2.1).

* **Note 1** Systemic abbreviations for programs largely as categorized in Fig. 1—see Appendix.

We will begin by sketching out developments for the first major periods of welfare state transformation—in the Western welfare state’s breakthrough period, mainly since the 1870s and until the Great Depression, as well as the remaining years until World War II. Discussion will also be program-specific—for programs not changing since these initial periods, no further periodization will however be made. Overall, it can be argued that the transitions which Nordic social models have undergone can be related to major upswings in societal and political mobilization of interests favoring

expansion. Broad coalitions, involving not only the working but also agrarian and middle classes, were also instrumental in bringing these about. Further, however, major transition periods also coincided with major changes in societal and economic structure. Such transformations are often quite slow, thus helping to explain gradualism in policy development.

Emergence

The Nordic countries were extensively agrarian throughout the welfare state's breakthrough period until the 1930s. Beginning precisely here, as can be seen also in the legislative tabulations above, there was really nothing remarkable about the programs first provided by the first Nordic reforms—these came later than Germany's major legal innovations in the 1870s and 1880s. As was usually the case also internationally, social assistance laws had tended to come first, and much earlier. The very first early "poor laws" focused on here usually specified that municipalities were obliged to support people living in them unable to support themselves, at what were initially fairly generous levels in contemporaneous terms—to be restricted in subsequent "New" poor laws, however. More centrally, also these "Old" poor laws entailed little responsibilities for state authorities, typically incorporated benefit distinctions between deserving and undeserving poor, and could also deprive recipients of civil rights. The most recent second (20th century) laws focused on are true social assistance laws in the modern sense of this word. These usually entailed less categorically organized support, less stigma for recipients, more generous support, and more national steering of municipalities—which, however, did tend to remain the implementing organizations responsible (Nelson, 2005).

Work accident insurance programs tended to follow as the first social insurance program, and early more limited laws imposing employer liability (as in 1898 in Denmark, and 1901 in Sweden) were followed quite quickly by the kind of unified state compulsory law that was to be retained in the Nordic countries quite stably thereafter. However, early enactments also included targeted pensions in 1891 in Denmark, as well Swedish and Danish sickness insurance laws (albeit limited in the former case) in 1891 and 1892 respectively. Interestingly enough, the direct impact of pioneering German reforms had been rather limited (Kuhnle, 1981). With the major exception of the corporatist Norwegian sickness insurance law of 1909—with income limits, and initially directed only to the working class—early reforms here either had a strong voluntarist flavor or were relying on some degree of means testing. This stood in sharp contrast to the compulsory and corporatist character of the Bismarckian social security reforms in Germany.

Other parts of the system of social protection retained some form of targeting, although in the more limited sense of income testing entailing that the richest part of the population was excluded, rather than that programs only would cover a small minority of the most needy. In contrast to the German model, the Danish pension law from 1891, which encompassed both the rural and urban poor, had retained a degree of means testing. In practice, the latter strategy was followed by the other Nordic countries. However, both Sweden and Finland started with different designs. Sweden's first pension law in 1913, classified as "mixed" in Table 3, combined fully-funded contributory pensions with means-tested supplements. The intention was to provide both the urban and rural populations with economic security in old age. Norway introduced a means-tested system in 1936, while Finland passed legislation for a fully funded system in 1937 but no benefits were paid before World War II—after the war, it continued to include some elements of targeting.

In terms of sickness insurance, Denmark (1892) and Sweden (1891) followed the voluntary state-subsidized model while Norway (1909) and Finland (1963) applied compulsory systems from the very beginning, although the beginning came very late in Finland (Kangas, 1991). The influence and application of the voluntary state-subsidized model has been more important, and definitely more enduring, in the case of unemployment insurance. All four countries started with such programs: first in

Norway (1906) and Denmark (1907), then in Finland (1917), whereas Sweden was a laggard since the first law was not passed until 1934. Then Norway diverged from the other countries by introducing compulsory insurance as early as 1938 (Carroll, 1999).

Universal pensions

The rapid and late expansion of Nordic industrialism here coincides with the strong period of expansion for welfare states starting in the 1940s and into the 1960s. White-collar tertiarization and post-industrialization of the labor force then begins to take place in the next transition period to more earnings-related social insurance. We can see evidence of such major socioeconomic transformations as concomitants to social policy development over the early postwar period in the Nordic countries, which Table 3 and our historical narratives also deal with as such.

In the domain of Nordic pension provisions during the postwar period, two important phases, or systemic shifts, can thus be identified. After the war, Nordic parliaments abolished targeting in the basic pensions system—new “basic security” pensions, equal for all citizens, were enacted between 1946 and 1960. Sweden here led the way in creating these more truly universal systems, giving equal benefits to all persons above pension age by the legislation of a citizenship-based “People’s Pension” in 1946 (Elmér, 1960)—similar programs followed elsewhere in the Nordic countries. This had the effect of creating the broadest possible political base for combating poverty among the elderly, since all elderly persons received pensions and everybody of active age could look forward to a statutory pension in their old age. This reform strategy was also well designed to meet experienced social needs in the enacting countries, becoming industrialised but still with large agrarian populations. However, the level of compensation which pensions offered in relation to an ordinary industrial worker's wage was still modest in 1960 by international standards (Palme, 1990).

Supplementing basic pensions

The golden age of economic growth meant that the Nordic countries rapidly became more industrialised. This increasingly also raised the issue salience of how income maintenance needs would be met for the expanding groups of white-collar service sector workers in the Nordic economies. Deepening transitions beyond agrarianism, with industrialism and services growth coinciding for a time, also meant increasing more general needs to compensate the working population for loss of earned income rather than for loss of basic livelihood—something which increasingly was addressed by extending also “encompassing” earnings-related pensions. Although the Danish work-related component entering into force in 1964 was only related to the number of service years and not to earnings, such second-tier benefits were extensive enough in the other Nordic countries to warrant their ensuing classification as “encompassing systems,” with first-tier “basic security” flat-rate pensions for all citizens now being combined with earnings-related pensions for the employed.

The ATP system introduced in Sweden starting in 1960 was fairly ambitious in providing earnings-related supplementary pensions. Here, Norway followed the Swedish reform quite closely by 1966 while Finland found a different solution by 1961, in terms of both the co-ordination between basic and contributory benefits, and the combination of private administration with public funding. Quite soon after this, however, the entire labor market was covered by compulsory earnings-related pensions. In Denmark, collective but non-public occupational pensions have provided earnings related benefits.

The history and the success of these endeavors to establish earnings-related pension schemes vary between the Nordic countries (for an excellent account, see Salminen, 1993). In Sweden, again with pioneer status, the debate on and enactment of the earnings-related ATP system was highly politicized.

The non-socialist parties, backed by the Swedish Employers' Federation, advocated either a universal flat-rate scheme as proposed by the agrarian Center Party, or voluntary occupational pensions based on collective agreements as proposed by the Conservative Party. By contrast, the Social Democratic Party insisted on a compulsory, legislated and state-run scheme that guaranteed similar benefits to all categories of employees (Olsson, 1990).

These major policy alternatives constituted different answers to both the socioeconomic question of how to respond to increasing white-collar tertiarization of the economy, as well as to the political question of how to account for these collectives' income needs without further strengthening service sectors employees' class privileges. The underpinning idea for the Social Democratic proposal was that social policy not only guarantees against losses of income, but also unifies groups of people in potentially class-transcending form (Esping-Andersen, 1985). The ATP system was enacted by the Swedish Parliament in 1959 by the smallest possible margin—the resulting legislation followed the Social Democratic proposal, yielding earnings-related pensions to all employees.

The political history of the Finnish scheme, as legislated by 1961, is totally different from that of the other countries. In Finland, the Social Democrats sought support for their social policy proposals from the Conservatives, and trade unions had direct negotiations with the employers' federation. The reason for this was the fact that the Agrarian Party, favoring universal flat-rate benefits, occupied such a strong position in parliament, reflecting also the much more extensive continued agrarianization of the postwar Finnish economy. The Finnish Agrarian Party's power resources and policy positions could here have jeopardized the whole idea of income-related benefits (Niemi, 1988; Salminen, 1993). Therefore, for social democrats it was rather easy to accept a deal with the employers' federation promising had earnings related, employer-financed and completely legislated pensions, but which would be decentralized and run by private insurance companies, not by state agencies as in the other Nordic countries. In comparison to the Swedish case, the Finnish program resulted from more consensual policy-making, incorporating more elements of what in one sense could be called class compromise. The Finnish scheme was more stringent than in Sweden: the benefit target level was 60% of final income after 40 years in employment, whereas the Swedes had a target level at least as high but with full pension earned already after 30 working years.

The Swedish ATP-model figured in the Norwegian discussions on legislated earnings-related pensions. In the beginning, the Norwegian Labor Party was skeptical of the Swedish model, but adopted it once they realized that it would be a good political weapon with which to attack the non-socialist bloc. On the other hand, the non-socialist parties were reluctant to let the pension question to be politicized along party lines to as big an extent as had happened in Sweden. In consequence, the Norwegian supplementary pension scheme was instituted rather consensually in 1966 (Kuhnle, 1987: 123; Salminen, 1993: 279-299). The basic structure of the Norwegian scheme was similar to that in Sweden—however, instead of 30 years in employment; the claimant had to work for 40 years to be entitled to full pension.

Earnings-related social insurance

The postwar development of sickness insurance constitutes a somewhat different story, given the system's prewar voluntarist origins. The late emergence of a statutory system for sickness cash benefits in Finland was mentioned above. By the time Finland implemented its legislation, Sweden had already in 1955 reformed its system of voluntary state-subsidized programs into a universal system of earnings-related benefits. Denmark followed the same development path in a series of stages, ended by 1972. The ambitions of the Norwegian sickness cash benefit program lagged behind the other countries until the late 1970s—whereas income limits had been abolished already by 1953, it was only extended to all citizens in 1956, and then only in principle (Kuhnle, 1987: 124). Since the social insurance system

went through a comprehensive reform in the late 1970s, Norwegian sickness insurance has provided the most generous replacement levels.

For unemployment benefits during the postwar period, voluntarism remained more stable. As indicated above, the unemployment insurance programs in Denmark, Finland and Sweden have retained their voluntary state-subsidized character ever since enactment. As we will see later, this means that the coverage of the core programs is lower in these three countries than in Norway. However, there are various forms of second-tier programs directed towards those who are not voluntarily covered. Finland has the highest ceiling while the other countries have ceilings below what a typical production worker would earn.

Maturation and crisis

Going into the last stage(s) of welfare model development in the Nordic countries, from the 1970s onwards, we can here see socioeconomic and political impetus for both expansion and contraction. Arguably, the massive expansion of female labor force entry, as well as in mobilization for women's rights, can be regarded as concurrent trends in the last transformation period. There is thus a systemic logic to also the last (sub-)process of Nordic welfare state development whereby social services and family policy expansion, timed above all to the 1970s and thereafter, coincide with women's increasing empowerment. At the same time, increasing problems in the world economy, as well as with also Nordic demographic balance, have entailed more pressure upon and criticism of social policy, above all regarding pension systems.

Despite increasing overall contractive pressure, Nordic pension systems have remained stable in broader social policy terms, although reform options have been investigated. Sweden's "reformed system" constitutes the most radical change. However, the change has more to do with how benefits are calculated and coordinated, rather than with the underlying social policy objectives to provide both basic security (poverty alleviation) and income security (for the working population).

Sweden's reformed system emerged through the legislative enactment of a multiparty agreement concluded by 1998. This agreement was itself inspired by perceived economic difficulties of maintaining the old ATP system (Palme, 2003), but also by the fact that most of Sweden's political parties, in particular the Social Democratic Party, became increasingly reluctant to politicize debates about the pension system (Lundberg, 2003).

The reform is, firstly, replacing the old earnings-related defined benefit system with a defined contribution system where basically 18,5 per cent of earnings are the financial basis of the new old age pension system. 16 per cent will go into notional accounts (NDC) and form the basis of the income pension (IP) and 2,5 per cent will go into fully funded individual accounts (FDC) and generate fully funded pensions (FFP). The concept of a notional account means that the pay-as-you-go (PAYG) character of the system is retained in this part. Both kinds of accounts are converted into annuities at the date of retirement, albeit these annuities have different forms. Secondly, basic security is ensured by a universal guarantee pension that replaces the old combination of people's pension with the special supplements to those with no or low earnings-related ATP benefits. The size of this guarantee is graduated in relation to the two contributory public retirement benefits (IP and FFP).

One fundamental change is that the earnings-related component becomes the first tier. Another fundamental change is that the benefit formula is to follow the principle of defined contributions. Here it is important to recognise that the total size of the contributions (18,5 per cent) has been determined with the underlying ambition of maintaining the replacement levels of the old system. In short to medium term, the reform implied an increase of expenditures compared to unchanged rules. In the longer run, expenditure levels will be controlled by the DC formula and thus roughly equal to 18,5 per cent of

incomes. If there is an increase in longevity it will not affect expenditure levels but benefit levels will be pressed down if there is no change upwards in terms of retirement ages.

The reform hence introduces a new logic for determining the size of benefits. The principle is that all contributions are accumulated and attributed a rate of return, which is equal to the growth in average annual pensionable income of all insured persons. Even if there is no fixed retirement age in the new system, the pension cannot be drawn before the age of 61 and there is no legal right for employees to continue their employment beyond the age of 67. The withdrawal is flexible not only beyond the age of 67 but also in terms of percentage. It can be drawn at 25, 50, 75, or 100 per cent. The accumulated notional wealth and the life expectancy of the cohort determine the size of the pension (but it is life-long for each individual). The annuity from this part of the system is calculated at an interest rate of 1,6 per cent. This interest rate has been imputed in the conversion of the accumulated notional wealth in order to yield a more even income during retirement. There is a transitional period, which means that persons born in 1954 and later will have their pensions fully calculated according to the new benefit formula. Pensions of persons born from 1938 to 1953 will be determined according to a mix of old and new rules. The cost of administration has been calculated to 0,7 per cent of contributions or 0,02 per cent of notional capital.

The design of the benefit formula follows the principle of making lifetime earnings the basis for determining the size of the future pension. A strong motive here is to provide a good incentive structure to increase labor supply. An important feature of the reformed system is that it attempts to make all kinds of redistribution that occur within the system explicit and motivated by social policy considerations. Thus, earnings not only give future entitlements to income pension but also to a number of other incomes, such as social insurance benefits. Credits are given for having small children, engaging in tertiary education and performing national service. Child rearing is a special motive for giving pension entitlements beside income and earnings. In addition, military service and tertiary education can give additional pension credits. Since the incomes associated with these activities tend to be low, this will also be the case with the additional pension credits.

The strongest element of redistribution of the reformed system is associated with the provisions for low-income pensioners. The GP is co-ordinated with the IP. This means that only those who lack an IP will get a GP at the maximum rate. Those who have an IP below the guaranteed level will get a supplement of GP. A difference compared to the old system is thus that those who have earned entitlements to IP will get a slightly higher total public pension (sum of GP and IP) than those with only a GP.

The fully-funded accounts (FDC) opens up the possibility of private fund managers handling individual contributors within a public framework, where public authorities both collect contributions and pay out the pensions. It introduces individual risk taking within social insurance, where programs are usually designed for collective risk sharing. The Premium Pension Authority (PPM) manages the individual accounts of all contributors to the system. Contributorship is expected to rise to 6 million in the foreseeable future. Each individual can choose a maximum of five different fund-managers for their accumulated funds and fund-managers can be switched each day of the working week without cost. The PPM aggregates all individual choices every day and trades them with the fund managers. This means that savers are anonymous to the fund managers. The accumulated funds of the individual are equal to the contributions and annual return on investment (plus inheritance gains and minus administrative costs). Funds can be withdrawn from the system starting at the age of 61 but can be postponed as long as the contributor wishes. The withdrawal is always in the form of an annuity – fixed interest or variable – that is provided by PPM. The proportion of the funds that is withdrawn is flexible (25, 50, 75, or 100 percent of funds). The administration cost of the system is about 0,4 percent, whereof the PPM share is about 0,3 percent of assets. To this an average of about 0,5 percent of administrative costs of the fund-managers should be added (Palme 2003).

A common feature of all pension funds is that they during the first years of the 21st century suffered extensively from the very poor returns on the international stock markets since 2000. This has actually led to a decline of the nominal value of these investments and it is likely to have contributed to the low level of interest among the population in becoming active on this market. This is evident in the PPM system. Whereas more than 70 per cent made active choices in the first round in the year 2000, only 9 per cent of the newcomers (mainly young persons) in 2003 made active choices (Press-release PPM 2004-05-07).

The PPM system has been criticized. Issues raised by economists have recently been most prominent in the debate. The analysis of the American economist Peter Diamond has triggered further analyses (Diamond, 2002). The very large number of funds, well over 600, is obstructing rather than stimulating rational choices. The administrative costs associated with the very flexible Swedish system are much higher than of similar systems in the US. The high administrative costs will lower the average benefit and the individual risk taking will increase inequality among benefit recipients. Some observers would perhaps accept a more unequal distribution if it could increase the average output but this is not achieved here. However, from a Latin American perspective there might be lessons to be learnt from the Swedish experiment (see below).

When we assess the incentive structure in the wake of the pension reform, one important aspect is that the DC formula means that lifetime earnings are the basis for determining the benefit levels. This in principle implies that the more and the longer you work, the better the benefit level will be. Another important aspect is that the system is insulated in relation to private pensions. The universal guarantee is not affected by income other than from contributory public pensions. This gives good incentives for private savings. In many countries, the minimum guarantees might actually be higher than the contributory benefits, which provide very poor incentives for people to take part in the public system. A means-tested minimum provides a disincentive for savings because people who have saved will not get the basic pension.

In Denmark, attempts in the 1980s to introduce an earnings-related statutory program failed. Instead, collectively bargained “savings programs” have been extensively promoted. These efforts have been successful in terms of dramatically extending coverage of the non-public collective occupational pensions also previously constituting the Danish “solution” to income security.

Finland has reformed its system in several respects. A new way of coordinating basic and income security benefits was the first step, which later inspired the Swedish reform. The replacement rates of public and private employees have also been equalized. There have, in addition, been a number of changes with regard to the benefit formula. More recently, the Norwegian pension system is undergoing a reform, which has been influenced by both Finnish and Swedish changes (Kangas and Palme, 2005).

On the more expansion-favoring side of most recent developments, the period since the 1970s has also strengthened economic and political pressure for social services extension on the part of women increasingly entering the labor force. As is reflected in the last column of Table 3, major developments in Nordic family policy are thus also by and large a late postwar phenomenon. It is in this period that the Nordic countries’ commitment to a “dual-earner” model of labor force participation, by both men and women workers, is consolidated. The political discourse behind these programs had certainly originated earlier. Yet it is not until 1948 that the first universal cash child benefits are enacted from the first child in Finland and in Sweden, with Norway only following in 1969. Denmark vacillated for quite some time between universalism and targeting in cash child benefits, committing hitherto lastingly to universalism by 1986. In Continental Europe, by contrast throughout, child allowances were often regarded as a supplement to the man's wages, and he often received extra benefits or tax concessions if he was married (Wennemo, 1994; Ferrarini and Forssén, 2005).

The foremost programmatic commitment to a “dual earner model” is here constituted by dual parental insurance yielding earnings-related benefits during early child-rearing—in Sweden, up to a year in 2005—for both or either parent. This goes beyond both the more limited maternal and (later) paternal insurance benefits taken out in more immediate connection with childbirth, legislated earlier in Nordic history. Dual parental insurance here however comes about only during the more advanced gender equality debates of the 1970s and 1980s (Ferrarini, 2003)—then, also public child care had begun to increase radically in scope at the municipal level, although crucial national framework laws are here harder to identify at an early stage.

Later policy developments have thus entailed increasing experience of building up care services, starting with the elderly care and followed by child care. Local taxation has expanded so as to finance these services. In the overall tax structure, above all in Sweden, it is now the municipalities, with extensive responsibilities for family social services, which impose the majority of all direct personal income taxation. On top of municipal income taxes, the regional county councils (*landsting*) have taxation authority and prerogatives of their own, and are here responsible for financing and organizing above all health care and regional collective transportation. Separate political elections to regional-level governing bodies also mean that policies of expanding or contracting health care services are politically contested at this level. In Denmark, the responsibilities of municipalities even extend to rehabilitation services for the sick.

Processes of further decentralization in most Nordic countries have also shifted both financing and organizational responsibilities for social services increasingly downwards. In Sweden, this has entailed that primary and secondary education teachers became municipal rather than state employees as of 1987, that services for the elderly became largely municipally organized (from having been at least regionally organized) starting in 1992, and that mental health services also became a municipal or even sub-municipal prerogative as of 1995. It is thus more appropriate than ever to speak of a “local welfare state” in the Nordic countries, even at the same time as social services provision largely expanded overall.

Although decentralization processes have also been contested, and may have meant the weakening of some *de facto* entitlements, there are still good reasons for seeing social services in terms of social citizenship rights. The care services strategy whereby the elderly use various supportive arrangements that enable them to continue living independently, insofar as they themselves desire and are able to do so, is also a means of economizing on limited resources. When this is not possible, alternative forms of care have made available. These various forms of accommodation—service accommodation, residential homes and nursing homes—make it possible for the highly expensive option of hospitalization, as well as the strongly gendered option of exclusively informal family care, to be extensively avoided. The expansion of child care and care for the elderly are important, both as resources for women with care responsibilities and as employment opportunities—women’s labor force participation is very high in Scandinavia.

Universal health care services constitute the social service program deserving the most systematic focus all of its own. The Nordic countries have all developed universal health care systems—as we can see in Table 3, however, the major legislative steps enabling this were timed later in the welfare state’s development, to be consolidated only in the 1970s. Medical benefits subsidies earlier integrated into sickness insurance systems could certainly be generous, but their role was only really strong, and the low-cost public hospital system strongly co-extensive, in the Danish system from the start in 1892. Elsewhere, modern health-care service regulatory laws mandating hospital construction and or cost-subsidy entailing little or no direct costs to patients were longer in coming. As argued also above, decentralization processes have also meant that the practical impact of national framework legislation has varied over time. Residence as a basic entitlement principle to health care and education, while

providing strong basic “rights” to services, also has varied in the municipality/community to which it actually pertains.

The aim of universal health insurance has been fair access to care and attention, but also, ultimately, to quality of health. Gustav Möller, Minister of Social Affairs during the formative decades of Swedish social policy reform, summed up the aims of universal health insurance by saying that “only the best is good enough for the people”. Private medical insurance is of modest proportions in all Nordic countries. But will it increase? It seems reasonable to expect that this will primarily depend upon the way the public health sector performs. In all the Nordic countries there appears to be widespread popular concerns today about the resources devoted to the public health care systems being too limited.

There appear to be some reasons for why Swedes could be justified in their concerns. Private sickness insurance programs have been on the increase during the 1990s, but only very small shares of Swedes interviewed in the International Social Survey Program (ISSP) see such programs as a solution effectively available to or desirable for them (Svallfors, 1996). It is also quite understandable why the expansion of these programs, even from low levels, may only work up to a point in addressing even those constituents’ needs who are able to pay for such extra coverage. While private health insurance may entail more rapid access to care, bypassing the long service queues in some sense endemic to large-scale public provision (see Rothstein 1998), such solutions will naturally only “work” up to the point where alternative private health service users’ queues do not become congested themselves. Also the direct provision of health services is becoming increasingly private in the Nordic countries, albeit also here from a low level. In the Swedish service sector, the share of all health care personnel employed by non-public actors has increased from 5,3 to 12 percent during the period between 1993 and 2000 (Trydegård, 2001:131). In fact, the whole Swedish health care sector was subject to major restructuring during the 1990s. The number of hospital beds was dramatically reduced, as was the number of nurses’ aides. Still the number of treatments increased due to a heavy reliance on day-surgery and various forms of outpatient-treatments.

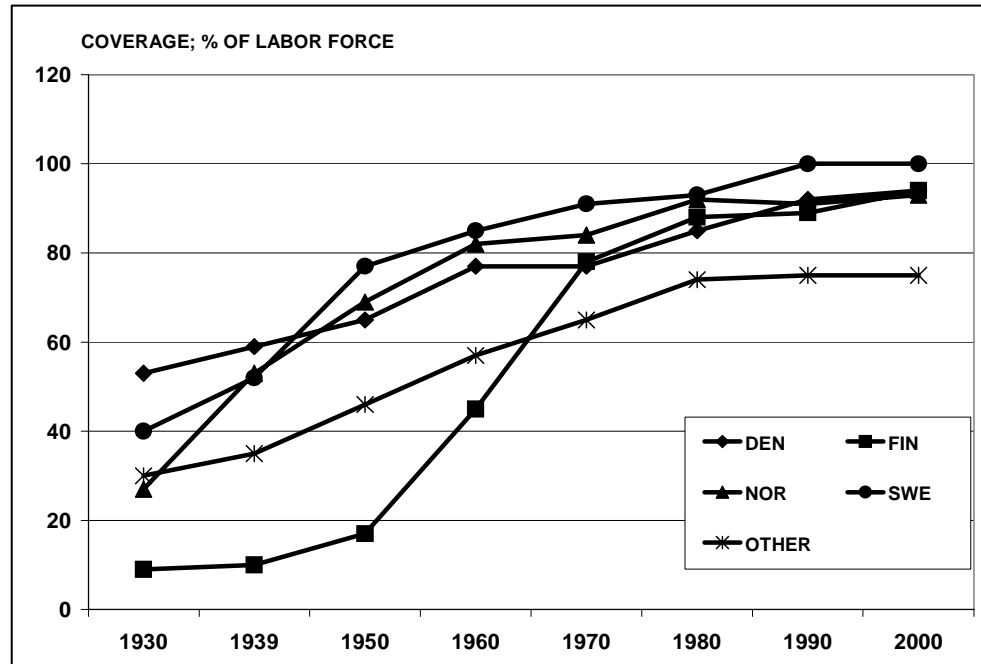
With regard to privatization it is important not to confuse privatization of the provision of social services with the financing of them. In the Nordic context, the major trend regards the privatization of provision. Privatization does not automatically increase the service users’ scope for choice. In most cases, privatization has not been implemented in the form of consumer-choice models but rather in the form of tendering with the municipalities (Trydegård, 2001).

Thus, although access to the social insurance programs and services historically guaranteed in the Nordic countries still seems to be very broad, it should be kept in mind that maintaining such access is hard political work—something which should be remembered also by those looking to the Nordic model as a possible exemplar of reforms elsewhere. The consequences which varying institutional strategies have had in the long historical run, specifically for the Nordic cases, are now again studied in terms of policy output indicators, specifically that of social policy coverage and/or take-up.

In terms of output, although this road has been long and hard, the story of Nordic social policy development has involved precisely traversing a road towards universalism, in the sense that all citizens—and, increasingly, residents—have increasingly been covered by the same national program. Figure 2 below, as well as Table A1 in the Appendix, give indications of how coverage and scope of programs has developed over the years, and of major institutional design choices made. Coverage has developed upwards across all four major social insurance programs in the Nordic countries—for all countries except Finland (catching up more rapidly with a delay), consistently above the average for fourteen other OECD countries which can be followed concurrently.

Figure 2

**COVERAGE OF SOCIAL INSURANCE IN THE NORDIC COUNTRIES
AND OTHER OECD COUNTRIES 1930-2000**



Sources: Kangas and Palme (2005) and SCIP (various dates).

In more program-specific terms (see Table A1, in Appendix), nominally compulsory work accident insurance coverage is low in 1930 throughout the Nordic countries, and has only extended to the entire labor force in Norway by 2000. It is mainly health care system access that in 1998 has become universal in all Nordic countries—regardless of whether the overall system could be classified as a “national health service” already from the start like in Denmark, or as a more cash-oriented “national health insurance” system (like in the rest of Scandinavia) whereby hospital services extension historically happened separately (see Gordon, 1988). The story of social citizenship rights extension in the Nordic countries is thus, overall, one of increasing approximation towards universalism rather than the story of a full-fledged ideal from the beginning—and instruments to approach this goal have varied.

Social services require scope assessments which should be dealt with separately, given that potential target populations here rarely encompass the whole population or labor force even in principle—for labor market policy, such assessments largely come later in this report. Yet it should already here be noted that ambitions have been increasingly inclusive. This applies even to Denmark, which in Nordic context was a late catch-up country in activation policy for the unemployed—a broad catch-all term for all policies not involving cash support to the unemployed, ranging from public service job creation to retraining and e.g. employment exchange services. Denmark here has the most ambitious policymakers during the 1990s. Program inflows, above all into training programs, here cover a fairly staggering fifth of the labor force by 2000, and have also when standardized by unemployment increased strongly by intra-Nordic comparison (OECD 1997a, 2001 and 2005a, Statistical Annexes; 1991: 219; OECD Employment Outlook 2005a, Statistical Annex, Table A; 1990: 36). This indicates that even countries which are initially strongly oriented to “passive” policies of cash support for the unemployed may mobilize reform potential to escape such “path dependency”, opening potentially more positive options for the unemployed (see e.g. Torfing 2001).

In orienting themselves also to population groups beyond the labor market, social services for families and the elderly are arguably even more important core programs for Nordic welfare state

universalism. Family social services extension, and its development over the 1990s, here constitutes another strong example of increasing universalism also in services. Although always much lower in Finland, where family day care is more important, shares of children aged 3-6 in some kind of public institutional day care have by the same year reached majorities of the target group in Norway, Denmark and Sweden (Kautto et al., 2001).

As already argued, the labor market context is very important for realizing such universalizing ambitions. However, the labor market is also an arena where state intervention acquires new sets of multiple meanings and risks—here, also “universalism”, or some kind of citizenship approach, becomes somewhat more complicated to deal with also in accounting for the Nordic experience. Labor market context, and policy, will thus now be dealt with for itself.

4. Labor market context of the Nordic model's development

What role has been played by the labor market context for system development? The main messages here are that labor market policy has contributed to make this context more supportive for the Nordic models overall. Employment has been raised, unemployment generally kept low, and labor market relations overall have become increasingly formalized—all this has increased social participation, also in developing social policy and productive capacity further. But Nordic labor market policies have also entailed costs, some of them envisioned in advance. Above all in Swedish execution, such policies have entailed “creative destruction” in Schumpeter’s sense of the word: in short, putting low-profit and low-wage companies out of business. Many corresponding demands have also been placed on workers: retraining, mobility and flexibility has been enabled as well as expected by policymakers. High levels of policy intervention, in the shape of active labor market policies as well as increasingly generous cash benefits, have thus gone together with support for flexibility, and indirect rather than direct intervention on markets—somewhat in accordance with the policy agenda referred to by the (problematic) synthetic concept of “flexicurity”.

To get a stronger sense of what the Nordic labor market policy models have consisted in, somewhat different concepts are needed for comparison which should be initially explained. The major components of labor market relations or industrial relations systems can be briefly said to include at least the following (see Bamber,

Lansbury and Wailes 2004: Ch. 1): its labor organizations' strength and degree of unity, the vertical structure of the negotiating system regarding wage and other agreements; and finally, the degree of state activity to influence wage determination (which may vary from very direct involvement, e.g. through labor legislation, to no involvement at all). Other important aspects of labor market regimes also include the strategic emphases placed by labor market partners on cooperative or conflictual relations—as well as the extent/coverage of collective agreements, which also may impact the social insurance system.

In these respects, different labor market regimes may exist than for social insurance regimes as identified above. One variant can be distinguished which could be called voluntaristic and decentralized, as institutionalized in e.g. Great Britain: here, wage determination is steered fairly exclusively by market forces. A second regime can be identified as macro-oriented and corporatist: here, wage determination is steered by labor market partners, usually strong and highly organized at also the national level. A third regime can be identified as more micro-oriented and corporatist, with wage determination still steered by the labor market partners but now much more actively at the company level.

In relation to these overall models, Nordic models of labor market relations have undergone a certain long-term historical trend towards centralization and greater state or general government involvement in labor markets. All Nordic countries' labor market regimes are macro-oriented and corporatist by international comparison. Besides strong and centralized organizations for the labor market partners, this also means that wage settlements are principally non-local, and that labor relations are fairly cooperative. Further, collective wage agreements have high coverage also among union non-members—in 1995, ranging from 52 to 72 percent of all workers for Denmark, Finland and Sweden (Hemerijck, 2002: 182). Finally, the Nordic countries also are similar in that there is an extensive albeit often indirect role for the state or public agencies to influence wage settlements, albeit generally not through mandated minimum wages (negotiated instead by the labor market partners).

The history of how these models emerged is possible to understand in relation to broader social and political transformations. In particular, to here exemplify nation-specifically, there were a number of such background factors to the consolidation of the Swedish model in its heyday. The 1920s had been a conflict- and strike-ridden period for Sweden—more people were beginning to see both the potential for and the possibility of cooperating for greater labor peace. It can be argued that policy learning was involved in bringing the labor market partners closer together in Sweden, at least on questions of wage determination and strikes. The labor market partners, or employers and unionized workers (as well as allied political parties), were more able to cooperate when more militant demands were abandoned—from employers' side, regarding strikebreaking also under state sanction, and from labor's side, regarding large-scale nationalization of the economy. The new Social Democratic (SAP) government gaining power in 1932, while thus ready to abstain from nationalization, was thus instead strongly oriented towards pursuing a “Keynesianistic” demand-stimulating macro-economic policy. In the dire 1930s, examples were not lacking of what could happen if more reformist policies and/or democratic concertation could not be achieved: dictatorships were on the move throughout Europe, entailing the crushing of free labor movements.

What, then, were the characteristics of the Swedish “Third Way” between dictatorship and unalloyed market liberalism, as defined since the 1930s—quite differently from Tony Blair's and Anthony Giddens' “Third Way”? Firstly, as noted the labor market partners were highly organized also from the start—secondly, wage determination also became increasingly centralized, albeit without direct state involvement. Thirdly, consensus, cooperation and compromise increasingly characterized the relations between labor market partners, at least on a number of issues such as hirings and firings, workplace rationalization, investment, and the level of agreements. Fourthly, the labor market partners could count early, since the 1938 Saltsjöbaden agreement, on independence from direct state intervention and incomes policies in wage determination—albeit against the specific political background of what

turned out to be very long-term SAP government power. These aspects of the “Swedish model” could be viewed as having become consolidated already by the late 1930s.

Three further components could be said to have been added on to the Swedish model above all in the postwar period. The first of these is a set of economic policy ideas on how to combine full employment with low inflation, the so-called Rehn-Meidner model—as developed by Gösta Rehn and Rudolf Meidner, for the blue-collar national trade union confederation Landsorganisationen (LO). The core of this model was a strict envisioned division of labor between the trade unions and the state, whereby unions would not be expected to generally moderate wage demands in accordance with any other constraint than that set by national productivity increases. The state was actually to follow a “hands off” policy with regard to wage determination, leaving even minimum wages to be decided upon by the labor market partners. However, the state would be responsible for cooling down the economy as needed by following a fairly strict state budgetary policy, while addressing unemployment through selective programs such as employment subsidies and education. Redistributive aims were to be pursued through two separate and final components to the Swedish model as here articulated: solidaristically financed welfare policies, as well as, above all since the 1970s, an extended public sector with an emphasis on social services.

What were the characteristics of workers’ organization as it came to develop during the Swedish model’s consolidation? In the long run, organizational-political unity was one central first aspect to be named here, with the SAP ending up in virtual organizational monopoly control of the unions. Secondly, Sweden came to be characterized early by fairly high levels of trade union membership among also salaried employees, rather than only blue-collar workers. Thirdly, although member-strong and unified, it should be emphasized that Swedish unions were also built up on the basis of strong sectoral autonomy, even more pronounced in neighbor countries like Denmark—LO centralized only slowly, with sectoral member federations wishing to preserve their autonomy. However, by 1956, continued centralization in Sweden had gone beyond the 1938 Saltsjöbaden agreements, now taking the form of centralized bipartite wage determination negotiations for all of the LO-SAF area in the Swedish economy. This came quite a way towards the realization of the historic international trade union goal of “one big deal”, on wages and other issues, for entire national economies.

Although the extent of later decline is still being disputed, it can however certainly be argued that the Swedish model did eventually undergo such a process. The Swedish model’s vitiation since the mid-1970s has been identified with a number of underlying factors, both exogenous and endogenous to the model itself. Firstly, public sector unions and salaried employees became wage leaders for a time during national negotiations—this increased wage demands, under less constraint from (in services, much less visible) productivity constraints than previously, or as envisioned above all within the framework of the Rehn-Meidner model. Secondly, partly under the very pressure of increasing leap-frogging of wage demands across sectors, the centralization of agreements’ conducting began to break down—most dramatically in 1982, when the Swedish Metalworkers’ Union broke ranks with the LO and negotiated a separate, and for them much better, deal with their mainly export-oriented employers. Thirdly, in concert with more decentralized wage determination, a role began to re-emerge for the sectoral organizations which strengthened all of their hands at the expense of the central partners. Fourthly, already since the strike wave of the late 1960s and above all during the “Great Lock-Out” of 1980, industrial conflicts began to increase again as dissatisfaction with the status quo increased from both partners—with the newly more militant unions’ representatives often being of the opinion that power was becoming too concentrated to the employers, and with employers instead believing that the unions and the Social Democrats were pushing their power advantage too far.

Finally, and in some commentators’ view perhaps most centrally, the state and general government began to renounce some of its earlier “hands off” policies, with at least implicit income policies becoming the order of the day, and with wage determination in the expanding social services

sector becoming an increasingly important, albeit indirect, determinant of wage developments also in the private sector. New trade union and (by onward transfer) SAP initiatives in favor of so-called wage earner funds, or union-controlled investment funds to be financed by company profit taxation, were in many senses a fairly straightforward extension of increasing public control, in its broadest sense, over the economy. New labor legislation in the form of the Co-Determination Act, or MBL (1977), as well as a new law regulating hiring and firing sequences, LAS (1974), also entailed more direct intervention in the conduct of the labor market partners' business.

How general were such Swedish trends also more broadly? Certainly, all larger Nordic countries have high rates of unionization—net union density (non-retired members as a share of the dependent labor force) ranged in 1996 from 76,6 to 86,6 percent in Finland, Sweden and Denmark, and was internationally high also in Norway at 51,9 percent (Scruggs, 2002: 277). Further, all larger Nordic countries, by common comparison to other OECD nations, have had high levels of organization and centralization, as well as comparatively low degrees of fragmentation, for the major employers' organizations and trade union confederations. As detailed in below in Table 4, it is mainly the levels at which agreements are conducted, as well as the degree of direct state involvement, which have varied over time—the labor market partners' organizations themselves, albeit not always their agreements, were however increasingly centralized at least by the 1980s. State involvement has only been straightforwardly low in Denmark, also otherwise more voluntaristic.

Table 4

HISTORICAL TIMELINES IN THE DEVELOPMENT OF LABOR MARKET CORPORATISM AND WAGE DETERMINATION INSTITUTIONS IN THE FOUR LARGER NORDIC COUNTRIES, 1890-2005

Country and year	Negotiating/agreements system	State involvement
Sweden before 1956	Sectoral agreements predominant, bipartite	None
Sweden 1956-82	Centralized, bipartite	Marginal (increasing after mid-1970s)
Sweden 1982-1997	Sectoral agreements predominant, increasing indirect state involvement	Decreasing (relative to 1970s) by 1982; Sharp increase in 1991-93; Decrease in 1993, stable to 1997
Sweden after 1997	Some re-emerging multi-sectoral agreements, some more direct state involvement	Stronger than previously
Finland	Increasingly centralized tripartite incomes policies	Strongest internationally throughout
Denmark	Sectoral agreements predominant	Intermediate internationally (indirect)
Norway	Increasingly centralized	Intermediate internationally (indirect)

Sources: Elvander (2000), Wallerstein and Moene (1997), Fahlbeck (2000), Lundh (2002), Blom-Hansen (2000).

Further, it can certainly be argued that the institutional character of policymaking mechanisms in Scandinavian polities has changed in similar directions. In comparative context, the Scandinavian states are often called “prime examples” of corporatism (Blom-Hansen, 2000: 157), in the looser sense of this word which entangles elements of centralized wage bargaining, strong trade unions and bipartism or tripartism (see e.g. Moene and Wallerstein, 1995). By this definition, corporatism has been initially high in the Nordic countries, but has also declined over time, with the partial exception of Finland. Several definitions of this problematic term are available however, and should be distinguished. One variant used here first, specifiable as “labor market corporatism”, refers to how labor market policy and/or incomes policies, if any, have been conducted—usually, the more centralized these are and/or the more the state participates, the more “corporatism” there is assumed to be. Another set of terms, “state corporatism”, has at least two separate usages: one, as further above, refers to state participation in tripartite governance of social insurance schemes, the other to state overlap with party or trade union organizations. On this score, the Nordic countries are similar in lacking state corporatism: state bi- or

tripartite involvement in occupationally delineated social insurance is simply not present, and tripartite organizational overlap is much more common in Continental Europe, historically also in Latin America, than what it ever has been in Nordic countries.

Finally, yet another set of terms, “societal corporatism”, refers to whether class-based organizations specifically, or organizations generally, are important in social life or not, and to how much these interact with the state. Alternative measures here refer e.g. to all central organizations’ role in the conduct of private economic activity, or broader “social pacts” or accords on competitiveness or growth targets. The Nordic countries have been historically outstanding at concluding wider “societal pacts” (see e.g. Regini, 2000)—it is also arguable that this tradition is still broadly retained today, and is even undergoing a certain renaissance also in the rest of Western Europe.

On all scores besides “state corporatism”, largely absent to start with, Nordic corporatism is certainly also under attack both societally and on the labor market. In Sweden, bipartite centralized labor market partners’ relations, as noted, broke down in 1982. Multi-sectoral agreements have made a gradual comeback, above all since 1997, but only against the background of increased state intervention (Fahlbeck, 2000; Elvander, 2002). Whereas tripartite income policy agreements have remained more institutionalized in Finland, trade unions have always been more fragmented in Norway and in Denmark, with the state playing a stronger role “at a distance” above all in conflict resolution (Elvander, 2002). Overall, with Finland partially excepted, working class party and trade union relations have become more distanced and state elites gradually have become stronger at the class-based organizations’ expense. Particularly in Sweden, trade union activist recruitment into political parties and state elites has also become much more uneven, as has unions’ policy positions’ integration into state policy (see Micheletti, 1995). In this sense of “societal corporatism”, focusing on class-based organizations’ importance in influencing policy, Nordic corporatism has thus arguably become increasingly undermined—working class-based societal actors’ power to impose pressure on state policymaking declined accordingly.

In one sense, however, despite shifts in power and levels of agreement, one major legacy of Nordic labor market concertation has remained, and seems well set to make the transition also to other countries: a much more common emphasis on activation. Labor market policy emphasis on “activation” is a recurring subject of agreement also in newer Western European “social pacts”, and a major goal also of recent Danish multi-issue labor market concertation since the mid-1990s. Arguably, this constitutes a move towards “flexicurity,” with both security and flexibility for workers addressed at the same time by, ideally, coordinated policy programs. Thus, although some degree of unemployment, as well as market determination of wages, is itself accepted, socially acceptable alternative incomes are also provided in programs like retraining and direct public-sector job creation, aiming to maintain workers’ human capital.

Table 5 below details what is often an increasingly strong financing emphasis of programs oriented towards public works, retraining, relocation, and public employment services in the Nordic countries—an impression supported also by longer-term historical comparisons, here covered by earlier postwar background data from Flora et al’s (1987) project. Focusing here precisely on active policies’ first origins, we can certainly see that expenditures on these were limited to begin with, although Finland, struggling hard to recover from the war, is an early strong investor above all in public works in 1950. In Sweden, where the reorganized Royal Labor Market Board had precisely become AMS in 1946 (Rothstein, 1989), and with the Rehn-Meidner model not yet formulated, active policy expenditure is still very modest in 1950, at 0,1 % of GDP. By 1973 Finnish expenditure has actually decreased, and the proportionately strong increase in Sweden still yields modest absolute levels—Danish and Norwegian effort remains negligible.

Table 5

ALMP EXPENDITURE LEVELS AS A SHARE OF GDP 1950-2003, AS WELL AS UI STANDARD BENEFIT GROSS REPLACEMENT RATES IN 1950 AND 2000, FOR FOUR LARGER NORDIC COUNTRIES

Program	Expenditure on ALMP as a percentage of GDP*						UI benefit repl. rate (gross), percent of avg. prod. worker's wage**	
	1950	1973	1987	1995	2000	2003	1950	2000
<i>Country/year</i>								
Denmark	---	0.05	1.08	2.14	1.54	1.74	26	52.1
Finland	0.84	0.58	0.94	1.59	1.08	0.91	2.1	51.6
Norway	0.07	0.1	0.39	1.34	0.77	0.81	15.7	62.4
Sweden	0.1	0.86	1.88	2.99	1.38	1.29	32.2	64

Sources: For (in current prices) both GDP/equivalent and labor market policy expenditure in 1950-73, respectively, Flora (ed.) (1987: 40, 107, 163, 231) and Flora (ed.) (1987: 48, 115, 173, 239). For active labor market policy expenditure ready-calculated as share of GDP in 1987-2003, OECD Employment Outlook (1997a, 2001 and 2005a, Statistical Annexes, and 1991, Chapter 7, Note B). UI benefit replacement rate from SCIP (various dates), variable URTSW26S, as updated by September 28th, 2005 from scip00 20050719.sav.

* **Note 1:** For 1950-73, Danish denominator is GNP, and is calculated for fiscal years starting in the benchmark year, e.g. 1950-51 (separate 1950 statistics for active and passive measures are not available); Finnish GDP estimates use the old system of national accounts. GNP/GDP as well as expenditures reported in current prices (unclear whether current or year-specific prices have been used in later years by the OECD). Swedish data for 1987 pertain to the 1987-88 fiscal year, and for 1995 to the 1994-95 fiscal year (avoiding the transitional 18-month 1995-96 FY)—Finnish 2000 data is provisional. For additional details on definitions of policy programs included or excluded in aggregates, as well as shifts over time, see Appendix.

** **Note 2:** For calculation assumptions on benefit and worker characteristics, see Appendix.

It is mainly by the 1980s that active expenditure has really taken off, although definitions and public accounting have also shifted by then. By 1995, when programs were under hard pressure from mass unemployment and also had their budgets driven upwards by it, spending on active programs almost reaches 3 percent of GDP in Sweden. Spending exceeds 2 per cent also in Denmark, although only then beginning to rival “passive” benefit expenditure in concert with a broader reorientation of policy. This Danish reorientation only really begins to show in active policy expenditure increases between 2000 and 2003, also by then reflecting expanded policy effort rather than unemployment increases.

However, overall, the data in Table 5 also indicates that such increasingly “active” policies have not necessarily excluded highly generous “passive” benefits also for the unemployed, above all in the long run. Certainly, Nordic unemployment benefit replacement rates were modest at best in 1950—in Finland, even negligible, reflecting flat-rate benefits’ inability to keep up with rapid postwar inflation. Yet by 2000, benefit levels in relation to an average production worker’s wage have increased substantially, ranging from more than half to two-thirds of the gross wage. Active programs for those in training do not exclude the possibility of income support for those who would rather simply look for jobs—a non-zero sum view of the role between active and passive benefits is thus justified.

Indeed, it is the possibility of concertation and coordination of regime components, even between different parts of employment, training, R&D, and educational regimes, which is hinted at here. As argued by David Soskice (1999; see also Esser, 2005), also Scandinavian employer organization and production systems can be seen as “coordinated regimes” with a considerable degree of internal regime consistency between centralized employers’ organization, centralized education and training systems, and fairly generous welfare benefits rewarding also active job search. This indicates that also generous benefit systems, as well as employment services and training, have each their own part to play in ensuring that “work pays off” also in its broader sense.

Training has been a major subset of “active programs,” also outside of public budgets—and also a major policy priority. In this respect the Nordic models appear to be reconcilable with, indeed to quite

intentionally promote, lifelong learning within the working population, and more equally so irrespective of occupational differences.

Table 6

PROPORTION OF RESPONDENTS SAYING THAT THEY HAVE BEEN TAKING PART IN STUDIES OR TRAINING IN THE LAST 12 MONTHS, AGED 30 AND OVER (PER CENT) IN 14 EU MEMBER COUNTRIES IN 2003

	Total Average	(Women)	Management/ Professional	Employed/ Service	Skilled Manual	Unskilled Manual
Denmark	63.0	(64.1)	80.3	66.8	50.2	39.6
Finland	62.8	(67.3)	76.9	65.1	48.1	48.4
Sweden	55.0	(56.6)	69.4	55.6	38.7	37.1
Great Britain	53.6	(54.2)	65.2	64.5	42.7	35.9
Netherlands	49.3	(48.9)	60.4	51.5	36.7	25.2
Germany	47.4	(42.5)	60.5	45.6	43.4	25.3
Ireland	44.3	(50.5)	63.2	51.3	33.6	29.9
Austria	42.5	(44.3)	62.9	42.2	34.6	9.4
Belgium	42.2	(39.9)	71.3	49.3	30.9	21.0
Italy	34.1	(37.0)	47.5	39.8	11.6	13.9
Spain	33.1	(40.3)	59.3	33.1	30.2	16.2
Greece	27.7	(26.3)	62.8	27.1	15.5	9.8
France	27.5	(27.6)	37.3	25.7	22.2	18.4
Portugal	18.6	(21.7)	47.9	23.0	12.0	10.8

Source: Eurobarometer 59.0 (Institute for Futures Studies, 2004).

Table 6 here confirms the existence of rather systematic differences in this respect between countries in northern and southern Europe, although there are also notable differences from this pattern. The Nordic countries included here, but also the Netherlands, Great Britain, Austria, Ireland and Germany, have both a large proportion of respondents in total saying that they have participated in studies/training, and comparatively small differences between occupational groups. In contrast, countries such as Greece, Portugal, Spain, and Italy are characterized by having a relatively small proportion of respondents overall saying that they have participated in training studies, and furthermore by comparatively large differences between occupational groups.

To exemplify, in the three Nordic countries, on average over 50 per cent of the respondents have participated in training/studies in the last three months when surveyed in 2003, and in all these three countries there are less than twice as many respondents in occupations classified as “management/professional” that have participated in training/studies as compared to “unskilled manual workers”. In contrast, less than one third of respondents in Spain, Italy, France, Greece, and Portugal have participated in training/studies in the last 12 months, and the relative difference between “management/professional” and “unskilled manual workers” are distinctly larger in these countries. It thus appears that the Nordic models are also policy models of lifelong learning, both publicly and privately organized.

None of the labor market policy arguments for the Nordic models, of course, can obviate reasonable objections to their design and practice—they may be costly, entail problematic incentives at least at the margins, as well as require high taxation, for better or for worse. It should also at least be seriously investigated whether such systems are as easy to reconcile with higher global market pressures as they may have been before. These issues will be dealt with in the next section.

5. Potential weak points in, and objections to, the Nordic model: how to finance, and what chances with globalization?

The Nordic countries have arguably succeeded quite well at attaining both equality and activation objectives. However, these are far from the only goals which a social protection system or labor market regime may have—objections exist, and should certainly be addressed. Are the costs, possible work disincentives, and tax pressure potentially prohibitive, and is increased tax pressure reconcilable with openness to international markets? Further, are Nordic social benefits sufficiently portable at all, given the potential demands of living in a globalizing world?

The main messages of this section are that answers to these questions have often been founded on myths about both globalization and its supposed opposition to generous welfare states—these myths need to be dispelled. Partly, the questions themselves may also be misarticulated. Program design including modes of financing, rather than program scope or expenditures, are at real issue in judging the sustainability of Nordic welfare. These case histories also demonstrate that openness to the world economy is perfectly manageable, even under high taxation and with relatively high social transfer expenditure, as long as both policymakers and trade unions are responsible on what it is that they are actually negotiating about in

deciding on such programs. Universal social benefits have strengths that also are important under globalization—Nordic and European social benefits, in becoming increasingly portable, also support worker mobility in that people are not “locked into” given companies or sectors by benefit programs. These arguments will be dealt with in overall concert at the end of this section—for now, we use available comparative data to concentrate on costs, financing, and portability in that order.

How do the costs of Nordic welfare systems look? As is reflected in Table 7 below, it certainly appears that Nordic social expenditure (here defined broadly, so as to also include most forms of social services barring education) is high—although Norwegian expenditure remains somewhat lower than in its neighbor countries. However, all of the Nordic countries have actually reduced both gross and net expenditure as a share of GDP in the course of the 1990s—by 2001, quite substantially so. Further comparative data on gross non-social expenditures (not reported here) indicates that these were also reduced in the Nordic countries, excepting Finland. Reductions were here at or even above prevailing rationalization trends in cost control pursued within the OECD on average between 1984 and 1997. Gross social expenditures are certainly higher in the Nordic countries than on cross-national average, but on a par with or even below expenditures in Continental Europe—further, a general trend of increase in social expenditure can also be seen in the OECD as a whole since the mid-1980s (Castles, 2001).

It thus does not appear that Nordic public expenditure is necessarily bloated in relation to all other competitors. Most importantly, as is evident from the net figures here provided, comparisons only on the basis of gross figures would be misleading. When we thus take into account government direct and indirect taxation of social benefits, and of goods and services bought by benefit recipients, as well as the effects of tax advantages similar to cash benefits or aiming to stimulate private social benefits, Nordic net social expenditures are uniformly much lower than gross expenditures—up to ten percentage points lower as a share of GDP.

In some respects, highly unified universalist systems also entail lower rather than higher costs—specifically on administration. Also for the reformed Swedish public pension system, overall administrative costs around 2000 have been calculated to no more than 0,7 per cent of contributions or 0,02 per cent of notional capital—for the individual premium savings accounts administered by the PPM, administration costs currently amount to about 0,3 percent of assets, with an additional 0,5 percent in administrative costs accrued by the fund managers (Palme, 2003). Available information indicates that administrative costs not least for privately organized systems in Latin America, and specifically for those segregated by occupational affiliation, have been much higher. Thus, with respect to administrative costs, universalist unification may actually bring about considerable savings.

In this Latin American context, some other features of the Swedish pension reform deserve to be mentioned. Not only do private fund managers manage the pension contributions but there is also an open registration procedure and a free choice for the contributors. This should however not be confused with wholesale privatisation of pension provision. There are a number of important differences that deserve to be emphasized in this context. First of all, the system is entirely anonymous since the fund managers do not know the identity of those who have chosen their fund. Secondly, the payments from the fully funded component are public in the sense that PPM pays the annuities to the contributors, even if this part is also subject to choice in terms of the start date, duration, amount (in percentage terms) and form of benefit. It is also important to point out that contributions are compulsory, and not voluntary as is usually the case with private pensions. Moreover, there is a default fund with public management of the funds for those who do not actively choose a private fund manager. Hence, the reformed pension system is an example of how a universal and compulsory system can include elements of choice (although the costs associated with it should not be denied).

Table 7

LEVELS AND CHANGES IN TOTAL PUBLIC GROSS AND NET SOCIAL EXPENDITURE AS PERCENTAGES OF GDP IN THE FOUR NORDIC COUNTRIES AND IN 23 OECD COUNTRIES ON AVERAGE*

Country/indicator, year	1993	1995	1997	2001
Denmark	37.1	37.7	35.9	29.2
Net dct. pub. soc. exp **	28	27.7	26.7	21.8
Finland	---	35.9	33.3	24.8
Net dct. pub. soc. exp	---	26.2	24.8	19.2
Norway	---	32	30.2	23.9
Net dct. pub. soc. exp	---	25.8	24.4	19.6
Sweden	41.9	37.3	35.7	29.8
Net dct. pub. soc. exp	32.8	29.2	28.5	23.7
OECD-23	---	---	---	20.4
Net current pub. soc. exp.	---	---	---	17.9

Sources: For 1993-1997, Adema (2001: 39 and 41, Tables A2.2 and A2.4). For 2001, Adema and Ladaïque (2005: 71, Table Annex 3).

* **Note 1:** Categories of expenditure included, both for gross and net, include the following posts: pensions (old age and survivors), disability spending, sickness cash benefits, unemployment, public expenditure on health, and other (services for the elderly and disabled, family cash benefits and services, active labor market policies, and benefits for other contingencies such as having low income, potentially also when working).

* **Note 2:** For calculations of net social expenditures on the basis of gross, see Appendix.

Table 8

TAXATION AS A SHARE OF GDP IN THE NORDIC COUNTRIES, MEXICO, THE POST-1986 EU MEMBER COUNTRIES, AND THE OECD, THE TOTAL SHARE OF TAXATION AND GDP DERIVED FROM SOCIAL SECURITY CONTRIBUTIONS VERSUS ALL OTHER MAJOR SOURCES IN 1965, 1990 AND 2002, AS WELL AS LEVELS OF TRADE EXPOSURE AND CAPITAL ACCOUNT DEREGULATION IN 1995

Country/region, Year	Total tax revenue (% GDP)			Imports + exports (% GDP, 1995)
	1965	1990	2002	
Denmark	29.9	47.1	48.9	64.1
Finland	30.4	44.3	45.9	68.2
Norway	29.6	41.5	43.5	70
Sweden	35	53.2	50.2	72
Mexico	---	17.3	18.1	58.8
EU-15	27.9	39.4	40.6	57.3
OECD-total	25.8	34.8	36.3	39.5
Country/region, year	Soc. scrt. contributions (% GDP, taxation)			Capital account dereg. (1995) *
	1965	1990	2002	
Denmark	1.6	1.4	1.7	Yes
% of taxation	5.4	3.1	3.4	
Finland	2.1	11.4	12.2	Yes
% of taxation	6.8	21.6	26.5	
Norway	3.5	10.9	9.9	No
% of taxation	11.9	26.3	22.5	
Sweden	4.2	14.5	15.1	Yes
% of taxation	12.1	27.2	30.1	
Mexico	---	2.3	3.2	No
% of taxation	---	13.4	18.5	
EU-15	6.3	11.1	11.4	Yes
% of taxation	22.8	28.1	28.2	
OECD-total	4.7	8.2	9.3	n/a
% of taxation	18	22.3	24.9	

Sources: For total tax revenue as percentage of GDP and for social security contributions as a percentage of GDP and of total tax revenue, OECD (2005b), Revenue Statistics tables "Tax as percentage of GDP—Total Sectors Vol 2004, release 01" and "Taxes as percentage of total taxation, Vol. 2004, release 01", available electronically at <http://www.sourceoecd.org> via <http://iris.sourceoecd.org/vl=5525446/cl=141/nw=1/rpsv/ij/oecdstats/16081099/v55n1/s38/p1>, logdate September 29th, 2005). For imports and exports as a percentage of GDP, OECD (1997b: 75-76, Tables 6.12-6.13); for capital account deregulation, Simmons and Elkins (2004: 173, Figure 1; cf. Quinn and Inclan, 1997; IMF, various years).

* **Note:** Capital account *deregulation* is here defined as the *absence* (indicated by "Yes") of "taxes, quotas or other rules that discourage the free movement of investment funds into and out of a country" (Simmons and Elkins, 2004: 172).

What about taxation, particularly in a broader context of putative globalization? Questions of normative judgment aside, which insofar as possible should ideally be discussed on their own, it certainly seems to be factually true that extensive Nordic social welfare states demand high taxation, particularly in their capacity as social service states. In the data reflecting this, organized in Table 8, it is possible to include at least one Latin American comparison case now belonging to the OECD (Mexico), as well as the 15 “older” EU member states and the OECD as a whole. The overall message of this comparison, more detailed below, is that the Nordic countries certainly have had to increase taxation and social security contribution revenue considerably so as to finance the Nordic social model, and that Mexico’s experience indicates that following such a path will not be easy for Latin American countries. At the same time, these comparisons also give reason to question whether it is globalization that would prevent such a strategy. In the mid-1990s, the Nordic economies are highly exposed both to foreign trade and to unregulated global capital transactions, while at the same time retaining high taxation. Though Mexico remains less exposed to trade and retains regulatory restrictions on the capital account in 1995, there are no indications in these figures that this would help in retaining even existing taxation levels, to say nothing of enabling higher ones. As argued above, it is indeed precisely in response to the challenges of openness that the Nordic welfare states were and have largely remained consolidated.

Starting with total tax revenue as a percentage of GDP, this increases considerably between 1965 and 1990 in all four of the Nordic welfare states—excepting Sweden, tax revenue shares of GDP increase further by 2002. For Mexico, insofar as data is available, tax revenue as a share of GDP is evidently much more modest at about half of the OECD average, and has increased but marginally by 2002. Yet at the same time, as will be implied also by historical data to be dealt with further below (see Table 10), high Nordic taxation has evidently not been a strategy coinciding with economic isolation. On the contrary, the Nordic countries in 1995 still have trade exposure levels well above the EU-15 average, and even further above the OECD average, while Mexico’s sharply increased levels are still only at the EU average. Further, as is evident from the cross-national averages, taxation’s share of GDP has increased everywhere on average, though by somewhat more for the EU-15 than for the OECD as a group.

Social security contributions (here from employers, employees and the self-employed) can here be dealt with as a sub-total—policy debates on competitiveness have particularly tended to center on the financial burdens which contributory social insurance places on employers, driving up non-wage related labor costs. Certainly, it is evident that social security contributions have grown considerably more important as a revenue source in most Nordic countries between 1965 and 1990, both when revenues from this source are assessed as a percentage of GDP and as a percentage of all taxation revenue. With the very partial exception of Sweden, there has also been very little deviation here between the Nordic countries and the rest of the EU, albeit more so from the OECD as a whole. Whereas, by 2002, contributory revenue has actually decreased in Norway on both counts, it has grown marginally more important elsewhere in the North—with one major exception throughout. In Denmark, where there have been no major earnings-related public pensions schemes undergoing maturation, and where social services have been more strongly profiled (much more often financed via direct income taxation as well as taxes on goods and services), the relevance of earmarked contributory revenue has remained marginal.

Are social security contributions at higher levels problematic, insofar as these are levied to a great extent on increasingly multinational employers? Again, here using an alternative globalization indicator much more strongly oriented to measuring capitalists’ external “exit options”, it does not seem as if possibly increasing globalization necessarily is inimical to a contributory revenue strategy. There are certainly strong reasons to believe that such policy constraints might have arisen. By the mid-1990s, most OECD states have removed prior restrictions on free movement of capital over national borders. These can be measured either in grosser measures, such as used here (see also Simmons and Elkins, 2004), whereby countries are assessed dichotomously for the simple presence or absence of (as here)

capital account restrictions for companies in national legislation. Other measures are based in deeper content analyses of “thick descriptions” assembled on countries’ legislation by the IMF, in the same report whose annual codified reviews constitute the basis for the dichotomous indicators. Here, researchers go more deeply into how strictly authorities implement any legal restrictions on how companies manage their capital account, or current account—besides gradating prohibition or approval strictness on transactions, these assessments also account for taxation levels directly, as well as for whether international exchange agreements are managed rather than freely floating (Quinn, 1997; Quinn and Inclan, 1997). What such measurement tools gain in sophistication is, however, lost in transparency and interpretability.

Using the more dichotomous measures, regarding presence or absence of state legal regulations on companies’ capital account (and thus on their ability to move capital when too highly taxed in their view), we still can see that capitalist “exit options” have even formally been strengthened quite substantially in the North even as contribution revenue has increased. In Norway, not bound by the Single European Act’s prohibitions on restrictions against the movement of capital, some regulations did remain in place on the capital account also in 1995—indeed as they did, albeit in quite different a context, in Mexico. Nevertheless, as noted, revenue actually decreased in the former case, while growing only very slowly in the latter. Deregulation is a reality in the other countries by 1995, but appears to be perfectly reconcilable with a broad variety of more sharply increasing trajectories in contributory revenue. This indicates that even high openness to capital movements does not necessarily entail at least major revenue losses, although it may mean increased “social competition” on marginal contribution rates.

Despite scantier data, the Mexican case deserves some discussion of its own as a possible “test case” whose experience should be considered for broader Latin American relevance. Although the relative importance of social security contribution revenue as a share of all taxation revenue has undergone a decided increase between 1990 and 2002, contributions have not increased by much as a share of GDP. Further data on other sources of tax revenue, not otherwise reviewed in detail here, demonstrate that Mexico depends disproportionately on taxes on goods and services: yielding 50,6 per cent of all taxation revenue in 2002, as compared to 32,8 per cent for the OECD as a whole. This in itself is not necessarily problematic, but it does mean that general revenue (and the basic security, or even mildly targeted, programs that such financing is best suited for) may be a better place to start with than an extension of at least institutionally dominant, but arguably underfinanced, contributory schemes. Evidently, social security contributions may be particularly “hard-chased” revenue in a context of high informal employment—greater priority on modest, but inclusive “citizens’ rights” may be the place to start if considerably more inclusive social security systems are aimed for. Unfortunately, we should also keep in mind that these figures may indicate greater thresholds to be crossed to more universal social security in Latin American cases—problems with all tax collection (to be returned to in greater detail below), mainly in comparison with using other sources of revenue. One major alternative to tax collection, itself difficult and incomplete for both economic and administrative reasons, has for many Latin American states consisted precisely in deriving income from enormous natural resources, as well as from trade tariffs. In this area, Mexico is even an optimistic Latin American comparison case to use—also tax revenues have here been boosted by income from considerable domestic oil reserves. Even available occupational pension system surpluses, throughout Latin America, have been used precisely as alternative sources of state income, so as to avoid the higher income taxes which might otherwise have tried domestic elites’ patience. It should thus be emphasized that transition obstacles to pension systems financed more by state tax revenue, not least in entailing a relatively lesser role for trade tariffs and levies as sources of state income, may be greater in Latin America than they ever were in the Nordic countries. This is because entrenched revenue practices, as well as their embeddedness in more limited exposure to global markets from the start, may entail higher transition costs and more resistance to reform even when the potential tax base for other kinds of social programs would exist.

Although we have begun to deal with issues of globalization here, we arguably need to take a closer look at the concrete mechanisms by which openness, whether increasing, decreasing, or constant, can be reconciled with social welfare provision. To what extent is individual choice of social protection programs, with special emphasis on internationally portable benefits, possible to guarantee in Latin American social protection systems remodeled on Nordic lines? Very brief considerations will here be identified on portability from current European Union debates on protecting the rights of migrant workers. It will also be argued that social services will probably need to be dealt with in a more nation-specific framework than what social insurance benefits are. Yet social insurance benefits, even given that money is always more portable, raise considerations of their own regarding portability. These are addressed in overall fashion for the Nordic countries, for Europe, and for Latin American comparison cases covered separately by available data, and for Latin America as a whole in Table 9 below.

Table 9

PORTABILITY ARRANGEMENTS FOR SOCIAL SECURITY BENEFITS IN THE NORDIC AND SELECTED LATIN AMERICAN COUNTRIES AS OF 2000-2005, NATIONAL AND REGIONAL LEVELS OF IMMIGRATION EXPOSURE AND BILATERAL SOCIAL SECURITY TREATY ADHESION, AND REGIONAL ESTIMATES OF MIGRANTS WITHIN VARYING PORTABILITY REGIMES

Country/Instrument	Bilateral social security agreement with USA (dates effective in US)	Compliance with EU Regulation 1408/71	Ratification of 1982 ILO Convention 157	
Denmark	None	Yes	No	
Finland	November 1, 1992	Yes	No	
Norway	July 1, 1984	n/a	No	
Sweden	January 1, 1987	Yes	Yes	
Brazil	None	n/a	No	
Chile	December 1, 2001	n/a	No	
Costa Rica	None	n/a	No	
Mexico	None	n/a	No	
Ctry, Rgn. / Comparison aspect	Foreign nationals as percentage of local population (official)	Nationals abroad as percentage of local population (official)	Number of bilateral soc. scrtty. agreements, 2000 *	
Denmark	4.8	1.3	49	
Finland	1.8	2.4	55	
Norway	5.4	3.1	46	
Sweden	5.4	1.1	66	
Europe	6	6.1	2 561	
Brazil	0.5	0.4	22	
Chile	0.8	2.6	28	
Costa Rica	---	---	---	
Mexico	0.4	8.1	6	
Lat. America	1.1	3.5	220	
Region / Comparison aspect	Share of nationals from region residing abroad, under portability regime I **	Share of nationals from region residing abroad, under portability regime II **	Share of nationals from region residing abroad, under portability regime III **	Share of nationals from region residing abroad, under portability regime IV **
Europe	47.7	35.6	1.2	15.5
Lat. America	3.7	64.1	0	32.2
N. America	64.9	35.1	0	0
World	21.2	52	5.5	21.3

Sources: For bilateral social security agreements with USA, Schobel (2005). For compliance with EU Reg. 1408/71 and ratification of ILO Conv. 157, Holzmann, Koettl and Chernetsky (2005: 9-12). For migration exposure and bilateral treaty adherence levels, Holzmann et al. (2005: 70-71, Tables 10-11). On share of nationals residing abroad estimated under varying portability regimes, Holzmann et al. (2005: 66, Table 6). For definitions, see notes.

* **Note 1:** Refers to bilateral social security agreements (including all subsequent protocols) per unit. Since every agreement is signed by two states, each is counted twice worldwide.

** **Note 2:** Nationals here include both official migrants and those estimated to be abroad undocumented. For definitions and discussion regarding portability regimes, see text.

The overall conclusion of data reviewed here, as well as the source that it is derived from, indicates, firstly, that it is not particularly interesting to ask “whether benefits are portable or not”. The immediate follow-up question to the also older human question of “whether you can take it with you” must here be: “Take it where?” In practice, the strongest portability rights regarding benefits seem to be guaranteed by bilateral agreements which only guarantee some “rights” of exports between two signatory countries at a time. Even with the USA, as reflected in Table 9’s first column, such agreements have been late in coming even for European countries, also at this time not having arrived to Denmark—in Latin America, only Chile has such an agreement with the USA, as of 2001. Secondly, a second follow-up question may be formulated as “Take what with you?” As noted, social benefits are much more portable from the start than what services are—even so, “only about 20 percent of migrants worldwide work in host countries where full portability of pension benefits, but not necessarily of health benefits, is ensured” (Holzmann, Koettl and Chernetsky, 2005: 1). Thirdly and finally, regions and countries differ enormously among themselves as to who is covered under what terms by various degrees (here, “regimes”) of portability, as well as to how important migration is at all.

Dealing here in more detail with the first issue of *where* benefits may be taken, and on what legal basis, we can note that multilateral instruments for guaranteeing benefit exportability are often quite weak. Although these issues are partly different, this seems to apply both to whether migrants can avail themselves of the social rights of citizens in the receiving country/region, and to whether migrants can “export” their “own” benefits with them. One major and interesting exception to multilateral agreement weakness is the intra-EU agreement EU Regulation 1408/71. This regulation is “an extensive legal provision that ensures far-reaching portability of social security entitlements within the EU, to the extent that EU citizens nowadays do not suffer any disadvantages in terms of social security entitlements by moving from one member state to another” (Holzmann et al., 2005: 11). The follow-up provisions of EU Regulation 859/2003 have also extended this treatment to third-country nationals.

However, at the same time, it should be noted that Regulation 1408 has also raised further problems for Europe as it stands. National-level differences in financing of social policy poses implementation problems for the regulation, not least in deciding how accumulated contributory social insurance benefits actually can be “moved” elsewhere than the country in which contributions were originally paid. This may exemplify a characteristic weakness of multilateral instruments for social rights mobility, which tend to end up at greater odds with national-level differences in social policy than what bilateral instruments do. Even further at the less implementable end of a scale of multinational provisions, we can note that ILO Convention No. 157 on the Maintenance of Social Security Rights has been the only convention from the organization specifically addressing portability—besides Sweden, it has only even been ratified by two other countries worldwide, Spain and the Philippines (Holzmann et al., 2005: 11).

Overall, it can still be argued that Nordic countries are by international comparison fairly good at guaranteeing portability of their social benefits by other means, not least bilateral instruments. Highly portable social security is here a concomitant to how strongly Nordic countries’ decisionmakers prioritize mobility as an objective of labor market policy. Yet differences in migration exposure also impact how practically important either bilateral or multilateral agreements will be for social rights. With the exception of Finland, foreign nationals’ share of the local population is fairly high in the Nordic countries as of 2000—actually quite a bit higher than in Latin America on average, and certainly higher than in the here-prioritized national cases on which separate data is available. It is thus evident here that ethnic diversity may not be the kind of obstacle to continued development of existing social programs as it may once have been for the early enactment of such programs (see discussion below). Evidently, extensive social rights have continued to be possible to reconcile with increasing ethnic diversity also within the Nordic countries.

Internationalization is also now high on the alternative measure of shares of countries' or regions' own nationals living abroad, although this is less important for the Nordic countries overall. Latin American countries are highly diverse on this score, but also appear to be legally worse equipped for dealing with either kind of migration in socially equitable fashion. Even in only the official figures, the share of migrants living abroad is very much higher in Mexico, but very low in Brazil and fairly low in Chile, and lower on average in Latin America than in Europe. It should, however, further be remembered here that Europeans are overwhelmingly most likely to be living abroad in other European countries, whereas Latin American migrants residing abroad are much more likely to be living in North America. Above all, finally, in the light of the very much lower number of bilateral social security agreements in force in Latin America than in Europe—down to a national-level “low”, among countries reviewed here, of just six agreements for Mexico, with the highest level of migrants abroad even only in official terms!—it is evident that Latin American migrants are likely to be so under much more precarious social conditions than European migrants.

Such kinds of considerations are driven home perhaps most forcefully by data in the third and last subpanel of Table 9, where estimates are made of both official and unofficial migrants living under four different degrees of social benefit “portability” or “portability regimes.” “Regime I,” wherein social security access and farreaching portability is regulated by bilateral agreements, is certainly not by definition superior, insofar as also a more uncoordinated “Regime II” situation is characterized by access and at least some degree of portability even in the absence of bilateral agreements. Here, access is determined by national legal provisions of the receiving country alone, which nonetheless may be very inclusive—Scandinavian countries are quite permissive here, extending immigrants the right to start accumulating both basic and earnings-related pension rights after a minimum residence period of only 2 to 3 years. Under “Regime III”, most typical of the Gulf States, there are no provisions whatsoever for acquired benefit portability, and access (at the most) is provided to non-portable short-term benefits like health care. Regime IV, including even legal immigrants if employed in the informal sector, provides very limited if any access, and no portability. Even a certain (albeit low) share of European emigrants, at about 16 percent of the regional total, is estimated to be living under this last and most forbidding of regimes. The share of Latin American emigrants living under such conditions is almost doubly high by comparison, and a majority are living under “Regime II” conditions—covered, and likely able to export some benefits, but at more exclusive receiving-country discretion. North American emigrants are much more strongly protected than even Europeans—with a majority living under Regime I, and none living under Regimes III or IV. Regardless of how extensive “globalization” is, particularly in relation to “regionalization,” these figures do indicate that migration and social exclusion must be considered together if the former is not to further exacerbate the latter, in ways strengthening global inequalities. All in all, it in any case appears that Nordic and European denizens have access to fairly highly portable benefits by international comparison, also via new multilateral instruments. Here, it is also evident that portability is a concern for fairly high shares of the population. Thus, also regarding migration, highly generous welfare states are hardly by definition non-portable or exclusionary.

Overall, regarding objections to the Nordic model, we have thus by now learned that the public expenditures generated by these are high but not excessive, and also under reasonable control, that the taxation required is also high but perfectly reconcilable with globalization, and that the benefits involved are also fairly highly portable by international comparison. Almost all of the discussion hitherto has however dealt with the Nordic models and its opposite numbers in respective national context—relatively little has yet been said about Latin American experience, or the scope of action potentially available for policy learning between Latin America and the far North. It is to interregional comparability issues we turn now.

6. Overall comparability assessment between Latin America and the (far) North

How broadly are the trajectories of social policy development reviewed above, as well as concurring macrosocietal conditions, comparable with those obtaining above all presently in Latin America? This is of central concern in addressing broad concerns of transferrability.

Table 10 below focuses on those aspects of the Nordic cases, the Western European region, selected Latin American comparison cases, and the Latin American region for which the highest-quality data is available addressing comparability. GDP per capita (in 1990 international US dollars), population sizes, and trade dependency (here measured as the combined share of imports and exports in GDP) is here assessed, on some indicators as far back as 1913. Of these indicators, it can be said that GDP per capita levels say something about what the available societal resources are, or were, with which to finance social insurance. Population size is often seen as setting both Western Europe and the Nordic cases apart from any conceivable comparison cases, with very large population size often seen in itself as a factor decreasing governability and state capacity. Finally, trade dependence is a factor whose importance is often declaimed in very peremptory fashion—some commentators on globalization have gone as far as to say that national welfare states were based on various forms of autarchy or isolation from a global economy, and are increasingly unsustainable insofar as dependence also on trade grows (see e.g. Feldt, 1994). Whatever the case is on that score, it can

certainly be interesting to see how Latin America and the Nordic cases actually compare on these basic aspects of economic and social structure, namely on vulnerability to the world economy, available resources and population—not least by comparison to what levels Nordic countries once were in 1913 when many of the early social insurance programs had been legislated, and more were on the way.

Table 10 demonstrates that the Nordic countries certainly did not start out rich—not even in 1913 when first social insurance laws had for the most part been legislated, including the near-universal first Swedish public pension system legislated in that very year. With the exception of Denmark, the Nordic countries' levels of GDP per capita in 1913 were all under the Western European regional average—although available estimates certainly indicate that concurrent Latin American levels were then very much lower, at about half thereof. It is only by 1950, still with the exception of Finland, that the Nordic countries have more consistently begun to have above-average GDP per capita in relation to that of Europe, leaving the continent's poor agrarian internal semi-periphery—and at that time, indeed substantial proportions of the labor force were still employed in agriculture. To a degree, it could of course be argued that also early legislation pursued reflected this—limited resources and cost considerations were one set of reasons often advanced for why the Swedish voluntary sickness insurance system legislated in 1891, and extended in 1931, could not be replaced with a compulsory one (Johansson 2003). At the same time, it is evident that early economic resources constraints in the North were not used as excuses for doing nothing.

It is only by the 1990s that we can speak of high-power industrial economies in all four cases. By then, although Latin America's relative distance behind Western Europe has again increased rapidly, it is much higher than what Western Europe's GDP per capita was in the welfare state's take-off period in 1913. Prevailing European levels of GDP per capita in 1913 were indeed only 60 percent of Latin American levels today. It is thus at least conceivable that Latin America is even better poised for a take-off of newly reformed and expanded welfare states than what Western Europe and the Nordic countries actually were in their own period of take-off. It can thus be argued that the regions are not beyond compare, and that resources are at least nominally available—even though Latin America is hardly starting from scratch in embarking on a possible new “social developmentalist” path.

However, as classically argued within dependency theory (see e.g. Prebisch, 1959), comparability in resources and availability of common trajectories may of course be compromised by structural cross-regional inequalities within the world economy. Different kinds of data than that above are thus needed on the broader question of what social development trajectories are open to Latin America today in comparison to those once taken in the North. Points of departure could of course also have been much more different also in resource terms than what they are now. At the same time, resources are only one comparison aspect to consider. Initial social and economic inequality in the Nordic countries was by all indications much lower there in 1913 than what it is in Latin America of today, thus entailing less entrenched social opposition to distributive policies to be overcome. Land was fairly equally distributed in the Nordic countries, with relatively extensive self-owning classes of smallholding independent peasants, small if any hereditary aristocracy, and no large and powerful class of large landholders—not even much of an independent urban bourgeoisie. Much greater social inequality in Latin America of today makes for obstacles which even basic land reforms would still be required to solve.

Somewhat more pessimistic further conclusions on comparability and regions' potential are indicated by the population figures. The Nordic countries have always been small in population, making them perhaps best positioned as social experimental laboratories—though Latin American regional population has taken a long time to catch up, in 1950 still being only little more than half of Europe's, it has exploded by 1998, being twice the size of Western Europe's population in 1913. Certainly, this indicates that much larger constituencies must be addressed by welfare programs than what was the case during Western Europe's take-off period—however, this objective constraint can be met, as argued elsewhere, both in more politically offensive and defensive ways.

Finally, what can be said about trade dependence? Although this has certainly increased also in the Nordic countries (disregarding a slight postwar dip) over the historical long run since 1913, it should also be pointed out that trade dependency has been very high in these small countries to begin with—entirely in accordance with strategy by the Scandinavian labor movements, whose representatives took early positions in favor of free trade. Contrary to what is said by more pessimistic debaters on globalization, openness certainly does not need to strangle welfare effort—indeed, as argued by David Cameron (1978) and Peter Katzenstein (1986), extended welfare states can even be seen as ways of compensating the “losers” of economic openness, and the substantial industrial restructuring which may follow therefrom. For Mexico, the only country with more reliable historical data, trade dependence has also increased since 1950, with a very substantial post-1994 increase in the wake of the NAFTA agreement. Countries like Brazil have much lower levels of trade dependence in the mid-1990s. This is indeed quite natural for countries with huge internal markets—on this score, Brazil is actually fairly similar to, albeit more “closed” than, the United States. Yet the very much smaller polity of Costa Rica—with imports and exports, as in Ireland and the Benelux countries, actually exceeding GDP—may be staking out a path more similar to the one which Nordic countries followed, taking the risks of openness but not meeting the social challenges passively.

Overall, these trade figures indicate that the Nordic countries have differed from most Latin American experience, also further back in the Nordic countries’ history, in being more open towards trade over the long historical run. However, as implied above, the very relationship between this historical openness and the development of welfare states has been much more “positive sum” than what fashionable pessimism on globalization would imply. The major thrust of Katzenstein’s (1986) argument in these respects is that extensive welfare state programs constitute a modal strategy for small states aiming to consolidate their firms’ position on world markets. State-subsidized education and training here constitute major institutional responses—renewing and broadening the human capital of those workers displaced by international economic competition, as well as preparing them to meet also new demands on their skills.

Commentators subsequent to Cameron and to Katzenstein have expanded upon this argumentation. Stephan Leibfried (2000), for example, in a historical German-US comparison, identifies welfare state development and trade protectionism as two opposed responses followed by each country’s elites in response to global economic competition. German decisionmakers, instead of arguing for restrictions on trade, gradually removed these in the long historical run, but developed social insurance systems to yield cash compensation for the domestic “losers” from international trade, subsidizing also their continued job search or removal from the labor force. American decisionmakers, while not choosing to develop such social “safety nets” more extensively, instead yielded to demands also from organized labor to instead keep foreign trade out through higher tariffs—directly reducing externally induced volatility, instead of responding to it more actively. Although it is certainly possible to “choose neither option”, these arguments thus imply that increased economic openness might not only not exclude, but indeed in some sense “demand”, the expansion of the welfare state in certain respects.

In Latin American economic policy debate, one version of dependency theory became associated with an overall model of so-called import-substituting industrialization (ISI), whereby national economic development was seen to depend on decreasing reliance on imports and building up indigenous industrial sectors through relatively heavy state subsidy. Many commentators of what ISI adherence meant for Latin American economic development (see e.g. Maloney, 2002) are very judgmental on its economic consequences, apparently refusing to see even transitional advantages in such a strategy, and focusing solely on the downsides. They also draw fairly far-ranging conclusions on lower Latin American trade openness in the long historical run, by particular comparison to more trade-open countries in Scandinavia, as a factor detrimental to both growth and welfare in Latin America. It might be more correct to say that state-led industrialization strategies like ISI, also in decreasing import reliance, may have had their uses in longer

historical perspective, but that there are also good alternatives. Nordic social democratic parties and labor movements never let their free-trade stance exclude a concomitant stance in favor of state welfare benefiting all sectors of the population, not just favored worker collectives in strategic sectors. It is possible that a similar progressive strategy could be employed today, in particular in middle-to-high income countries in the developing world whose industrial sectors are now robust enough to face international competition, but where state social welfare may have its place as one crucial institutional means of easing transitions to come.

Table 10

ECONOMIC DEVELOPMENT, POPULATION SIZE, AND EXTERNAL TRADE AS A PERCENTAGE OF GDP IN CURRENT PRICES FOR THE MAJOR NORDIC STATES AND WESTERN EUROPE, AS WELL AS IN LATIN AMERICA AND/OR SELECTED LATIN AMERICAN COMPARISON CASES, IN 1913-1998

Comparison aspect	GDP per capita (in 1990 international \$)		
Ctry/Region Year	1913	1950	1998
Denmark	3 912	6 946	22 123
Finland	2 111	4 253	18 324
Norway	2 501	5 463	23 660
Sweden	3 096	6 738	18 685
29 W. Eur. Ctries	3 473	4 594	17 921
Mexico	1 732	2 365	6 655
Rest of Lat Amer.	1 461	2 593	5 588
All Lat. Amer.	1 511	2 554	5 795
Ratio WE1913: LA	2.3	1.36	0.6
Comparison aspect	Population. in thousands (midyear)		
Ctry/Region Year	1913	1950	1998
Denmark	2 983	4 269	5 303
Finland	3 027	4 009	5 153
Norway	2 447	3 265	4 432
Sweden	5 621	7 015	8 851
29 W. Eur. Ctries	261 007	305 060	388 399
Mexico	14 970	28 485	98 553
Rest of Lat Amer.	65 545	137 352	409 070
All Lat. Amer.	80 515	165 837	507 623
Ratio WE1913: LA	3.24	1.57	0.51
Comparison aspect	Imports and exports as a share of GDP in current prices		
Ctry/Region Year	1913	1950	1997-98
Denmark	61.5	48.6	53.3
Finland	Omitted	Omitted	58.4
Norway	50.9	46.3	51.6
Sweden	42.3	37	64.4
Mexico	---	21.3	56.7
Brazil	---	---	14.6
Chile	---	---	48.8
Costa Rica	---	---	139.1

Sources: For GDP per capita and population respectively, Maddison (2001, Table B-21: 264; Table B10: 241); For trade aggregate value (imports and exports) and GDP in current prices, Tables E1 and J1 in Mitchell (2003a: 572-86 and 905-28; 2003b: 431-54 and 762-87).

Notes: For Norway in 1870, the trade exposure denominator is GNP. For Finland, trade volume and GDP appear to be reported in incommensurable units for 1870-1950. Trade/GDP data refers to 1997 for Latin America, 1998 for Europe. For additional details, see Appendix.

Those aspects of the Latin American and Western European political, social and economic development which also militate against transferrability of Nordic social policy should of course not be discounted. Ethnic heterogeneity is here one factor which, at least in its capacity as a regime-historical “initial condition,” has been argued to undermine the power of organized labor and the ease of social programs’ initial enactment. This may still be true in latter-day perspective even if increasing heterogeneity is reconcilable with already established programs’ further development, as it evidently has been in the Nordic countries since the 1970s. More historically, ethnic heterogeneity has been lower in the Nordic countries than in Latin America, in ways which may make the enactment of entirely new programs politically more difficult in the latter region. Available 1970s data, proxying earlier conditions well, indicates that between 90 and 98 percent of Denmark’s, Finland’s, Norway’s and Sweden’s population were to be classified as belonging to the dominant ethno-linguistic group in each (Lane, McKay and Newton, 1991: 19). By contrast, even only in historical Brazil, 4 percent of the population could be still classified as indigenous in 1870, with a 58 percent majority of the population classifiable as “black” or of “mixed” ancestry (including 1,5 million slaves), and the remaining minority being of European origin (Maddison, 2001: 235, Table B5).

Ethnic heterogeneity in Latin America is likely to have increased considerably during the 20th century, and this does tend to make politics of inclusion more multidimensional and complicated—not least in polities like Guatemala, where indigenous peoples are actually in the majority, and where basic questions of political reconciliation are only beginning to be solved. Thus, “social citizenship” may be harder to establish in new social programs in precisely those countries when it is contested who “the citizens”, or even denizens, actually are, and how inclusive prevailing definitions of citizenship are. Given that indigenous people may also be more overrepresented in the informal economy than what “whites” are, ethnically based exclusion of constituencies from new welfare programs (which also may take place) thus may also interact with exclusion in terms of class or labor market affiliation.

Naturally, rights to social transfers and welfare services can also be embedded as broader human rights, transcending categories of both citizens and denizens. Interesting examples of this have emerged recently in Guatemala, where the state’s human rights ombudsman has mandated upgrading of coverage and benefits in a number of social programs during the 1990s and early 2000s with respect to complaints lodged on their insufficiency. At the same time, this also raises problems of conflicting jurisdiction between parliamentary and governmental abrogators of citizens’ and denizens’ rights on one hand, and adjudicators of broader human rights on the other (Edgar Herrera, direct information, November 23rd 2005). As long as social benefits remain mainly the prerogative of national or subnational elected decisionmakers, questions of entitlement in new social programs will likely remain more conflictual whenever questions of ethnic affiliation and citizenship are partly unresolved.

A number of other macro-political and macro-social factors should also be taken up here which may differentiate the Nordic countries and Latin America more systematically, making them much less systematically comparable. Democratization is a fairly recent and/or uneven process in much of Latin America, although long established in e.g. Chile before the Pinochet dictatorship. Some level of federalism also distinguishes the region’s politics from the solid tradition of unitary state structure among Nordic countries, although there are here also considerable intraregional differences—with Brazil, for example, being very strongly federalist, while e.g. Uruguay and Chile are highly unitary states. Unitary state structure tends to promote fast consolidation of welfare states, through strengthening the state administrative capacity which is needed to implement reforms (Kangas and Palme, 2005; cf. Evans et al., 1985; Immergut, 1992; Orloff and Skocpol, 1984; Skocpol, 1992). Thus, insofar as democracy is seen as a vital precondition for enacting new welfare programs, and federalism or decentralization as a factor militating against it, the Latin American options for following a Nordic path might be seen as less favorable. Even in the majority of Latin American polities which are not federalist (with only Argentina, Brazil, Mexico and Venezuela belonging to this category), fairly intense

processes of decentralization during the 1990s may have exacerbated decisionmaking divisions, even though the Nordic examples also demonstrate that decentralization and extensive social services can be reconciled.

Yet even with respect to great interregional political differences, their significance should not be exaggerated, and we should also question received wisdom on whether democracy is even always a favorable factor for welfare state development. Most Nordic states were not particularly democratic when they started implementing schemes, some of these also quite extensive. Around 1900, it was only Norway that could be classified as a relatively extended democracy, with unrestricted suffrage for all adult white males and cabinet responsibility to parliament or to an elected president. Finland could really only be classified a parliamentary semi-democracy at this time: here, cabinet responsibility to parliament had been established by around 1900, but significant percentages of the voting-age male population remained disenfranchised. At the same time, Sweden and Denmark were to be seen as neo-absolutist governments, far from levels of democracy to be attained later. Cabinet non-responsibility was here combined with remaining restrictions on suffrage (Huber and Stephens, 2001; Alber, 1982). Thus, although democracy certainly eases interest representation, it also tends to make for delays in implementing social reforms, both deliberative and legislative.

In this respect, Latin America is no worse off, and may even be “better” off, than what the Nordic countries were at the prior turn of the century in implementing their first laws under less than complete democracy. Absence of strong democratic institutions may not always hinder social policy reform. Also democratic elites wishing to enact social reforms may thus be well advised in taking the chance to do so before anti-welfare coalitions have become consolidated, in the ways in which entrenched democracy (and thus, entrenched pluralist interest representation) enables. Yet there is an inherent push for expanding redistributive policies in democracies which has to do with the tension between the equal distribution of votes and the unequal distribution in society (e.g. Korpi and Palme, 1998), and this something which should be of particular relevance in today’s Latin America.

Among some of the perhaps most problematic aspects in transferability of social policy may instead inhere in the structure of labor markets, as well as in what the Latin American responses have been to that context in designing their own already extant systems of social provision. Although comparable estimates are notoriously difficult (see OECD, 2004), the extent of the informal labor market is by most indications considerably larger in Latin America than what it is the Nordic countries or in Western Europe. Extant social policy responses to that situation in Latin America have been of at least two separate major varieties which make transitions into more inclusive “basic security” directions, or unified state compulsory insurance overall, more difficult than they may have been in Scandinavia. As argued above, such problems are also exacerbated under the often-prevailing Latin American conditions, differing strongly from what Nordic countries have most often been able to rely on, of high unemployment and underemployment both in the formal and the informal sectors.

First, prior state subsidies to disadvantaged groups have been converted from more direct into more conditional ones—as are reflected in, for example, programs like the *Bolsa Escola* in urban Brazil, PETI in rural Brazil, and *Progresá* (subsequently renamed *Oportunidades*) in Mexico, in the latter case in operation since 1997. Cash grants are here given to poor families on condition that they visit health centers or keep their children in schools—targeting is also implemented at the community level on the basis of e.g. census-based marginality indicators, or prevalence estimates of child labor (OECD, 2004).

Although also Nordic countries started first with social assistance programs, and also initially targeted some national social benefits, the extent of such targeting was initially much more modest, at least in the social transfer system, than what is described in these Latin American anti-poverty programs. For example, in most versions of targeting ever used in e.g. the Danish child benefit system, it was really only the very richest who were to be excluded. By contrast, most Latin American anti-poverty benefits

are so strictly targeted as to exclude all but the very poorest (and potentially, due to cross-cutting and potentially underarticulated entitlement criteria, even many among these groups). Targeting of this intensity may lead to uncoordinated gaps in coverage or reciprocity of benefits which are difficult to patch up later if a broader systemic transition is not implemented.

Secondly, most social insurance schemes which actually have been legislated in Latin America are corporatist in the sense that these have been strongly oriented towards well-organized occupational collectives in the formal labor market. Corollary strong emphasis has here been given to financing via contributions, in some cases at quite high rates, which may play a role of its own in keeping the informal sector extensive. Reforms in such systems have also sometimes been limited, and there are substantial questions about effectiveness also of those systems which have been reformed in a more private-sector based direction with defined contributions and undefined benefits—as heretofore, although at strongly varying levels of emphasis on individual accounts, in Chile, Bolivia, Mexico, El Salvador, and the Dominican Republic (see Huber and Stephens, 2000; Kay, 2000; Álvaro García, direct information, September 2005). In countries like Argentina, Uruguay, Costa Rica and Ecuador, the public system has remained more “residual” in the sense of only offering a usually fairly low basic pension, with the private sector expected to complement support. Countries which have chosen not to reform their public systems more extensively during the 1990s, particularly Brazil, may have attained a certain level of policy stability as a result, and have also avoided reliance on private sector provision which also has had gaps in protection. The rough estimates available indicate that coverage of people in the labor force was reduced from 38 to 27% in Latin American countries pursuing some level of pension reform after these were implemented—the share of covered workers making deposits in their accounts also decreased in countries pursuing reform from an average of 57,9 per cent in 1998 to 41,8 per cent in 2003 (Álvaro García, direct information, September 2005).

Administrative costs also went up, quite substantially in Chile. Most worrisome from an equity point of view, also in those countries retaining a public system without major reforms, extant principles of solidaristic within-program redistribution are becoming eliminated or weakened. Also extant private systems work worse for those with a weaker relationship to the formal labor market—not least for the poor, as well as for women and people of non-European ancestry. Those Latin American countries having some kind of basic pension, or “pension for the poor,” have chosen to finance it mostly or exclusively via general revenue. As it stands, the coverage and the level of these basic pensions do not meet even basic living needs for the poor.

However bleak this picture may be, the main message of this section still stands: every decisionmaking group needs to start from somewhere if more extensive welfare programs need to be enacted and implemented. Such elites did an unexpectedly thorough job of this historically in the Nordic countries, even when social, economic and political conditions for this were less than fully optimal. Indeed, there may here have been even relative advantages to economic backwardness, to “catching up while starting late” (Kangas and Palme, 2005; Carroll, 1999; cf. Gerschenkron, 1962). Also the Nordic models of social protection could thus emerge gradually, from initial programs of poor relief which were by definition targeted, to voluntarist programs of “help to self-help,” to agrarian principles of basic security yielding “a little, but for everyone”, to more encompassing programs. While stagism need not be implied here, gradualism certainly can be.

What overall comments can be offered, in conclusion, regarding not least answers to our initial questions on the character of the Nordic model, and its potential applicability elsewhere? These points will conclude.

7. Discussion and conclusions

As was argued above, seven basic questions were to be addressed in this report. The first three were most strongly focused on what the Nordic model actually means in welfare policy debate: 1) on how “Nordic models” of social protection evolved and changed historically, 2) on what principles of coverage and structure have been central, focusing on universalism, and 3) on what role has been played by the labor market context for these systems’ development. By contrast, the next four questions could be seen as where the Nordic model, or something like it, possibly could be “taken” in Latin America, and under what specifiable circumstances. Here, questions thus deal with 4) what the replicability difficulties are in importing Nordic models of social protection into a Latin American context, 5) on to what extent individual choice of social protection, with special emphasis on portability, is possible to guarantee in Latin American social protection systems remodeled on Nordic lines, 6) on what possible “best practices” are possible to identify, with emphasis on the areas of pensions provision and health care, and 7) on how increased globalization (defined as trade dependence and/or capital mobility) affects the possibility of maintaining system financing and solidarity. These clusters of questions will be dealt with shortly in turn, in what follows. However, further follow-up will be devoted above all to the questions of best practices and of globalization’s role—here, current policy recommendations may also be most germane.

By way of a short answer to the first three more historical questions, it can be argued that the Nordic model of social insurance and labor market policy has developed fairly gradually, from mainly voluntarist origins, not least in sickness and unemployment insurance.

It can also be argued that these Nordic systems also only gradually approached realized universalism, or full coverage of health care and other related social protection systems throughout the labor force or population in one unified program. Finally, it must also be pointed out that the labor market context has generally been very supportive for the further development of the Nordic model—universalism of coverage has been possible to sustain not least through, and because of, long-term experiences of concertation and of also formally full employment. By this latter term, we here mean in Nordic context that there have usually been only proportionately low shares among those on the labor market who are also officially looking for and want a job but who do not currently have one.

Insofar as the unemployed have not been able to find a job, they have been subsidized in their search by increasingly generous unemployment benefits, at the same time as they also have been encouraged to find a job through a wide variety of “active” employment measures which may, but do not necessarily, entail working for the municipalities, regional authorities or for the state. Such “direct job creation” measures, whereby public authorities have acted as employers of last resort for those without jobs, have certainly sometimes been important, not least in times of macroeconomic crisis. At the same time, other services to job seekers have also been important—not least the registration and information provision on available jobs, as well as “matching assessment”, provided through state-run employment exchanges, to which employers report available jobs. Publicly organized and/or subsidized labor market training has aimed to increase the chances of the unemployed to find jobs more indirectly—by increasing the level and diversity of their skills, that which is often referred to as “human capital”, to a degree even on a lifelong basis.

Although anti-poverty programs providing cash, also to those working for very low incomes, have naturally remained a program of “last resort” in the broader sense, also employment services have had the function of preventing the need for such targeting in advance. High formal employment, low formal unemployment, low shares of labor force nonparticipation, and labor union policies of decreasing the share of low-wage and low-productivity work have also kept the costs for such “last resort” programs more limited than what they would have otherwise been. It is in this particular sense that full, highly organized and increasingly formalized employment “pays for itself”, and that those mindful of cost control may be well served in giving an affirmative answer to the broader question of whether we can “afford to work” (Korpi, 1990). In this way, unemployment insurance and more “active” employment services can also be used to keep up relatively high levels of labor, income and social mobility, as well as decrease the costs of flexibility for those who pursue this. In this way, indeed as argued by the trade union economists Gösta Rehn and Rudolf Meidner, albeit with increasing problems in some respects after the 1970s, such programs could work through giving people security on the labor market as a whole, rather than favoring “insiders” in specific workplaces or occupational categories.

High levels of employment (also through public investment), increasingly universalist social insurance coverage and increasingly institutionalized transfer programs more generally have of course not come cheap—above all, they have taken quite some time to develop. Although political consensus on universalism and full employment as important goals certainly grew and deepened strongly, this consensus was hardly “there” to begin with, and is arguably somewhat more contested today than previously, even though its institutional fundament has turned out to be very hard to dismantle. These overall answers to our first three policy questions, in their own way, also tie into those relating to the broader question of “best practices”, and are congruent with the broader conclusions also of most prior literature on policy transfer or on “policy learning”. Even within existing regimes, policy frameworks are typically highly integrated, develop slowly, and can hardly be cross-adapted “pell mell” into other broader social or welfare systems.

A number of further considerations which militate against easy transfer or policy learning should also be analyzed here. Initial levels of social and economic inequality are higher in Latin America of the 2000s than what they were in the Nordic polities even at the last turn of the century. Certainly, the

Nordic social situation was hardly rosy at the time either—in the 1890s to the 1920s, Sweden had a higher level of ongoing strike activity than any other polity for which there was current data (Korpi and Shalev, 1980). Overall, however, and combined with current problems in Latin American tax collection, the current Latin American social policy equilibrium is one of vicious rather than virtuous circles, between low-quality social services and low middle- and upper-class willingness to pay more taxes—an equilibrium which it can be very hard to break.

Overall, the problem in Latin America is not necessarily that so little taxes are collected—further statistics, although less guaranteed for comparability, indicate that some Latin American countries collect even more taxes than does Mexico (Oscar Cetrangolo, direct information, November 22, 2005). The main problem is rather that tax collection in Latin America is done inefficiently and inequitably. Tax revenue collection is also still greatly overshadowed by states' use of other sources of revenue, such as that from tariffs and natural resources. This alternative revenue collection requires less compliance from broader populations, and thus actually entails less pressure for continued democratization of decisionmaking in deciding on how revenues should be spent (Ross, 2001; Tilly, 1992). Differences in the state's economic base also constitute great differences between Latin America and the far North militating against policy transfer or learning.

Inauspicious starting points for changing this are here combined with ongoing structural development processes consolidating such an equilibrium, as well as with specific effects of 1990s structural reforms in Latin America, where North American rather than the European example have hitherto been followed most often. Regarding development processes in motion already before the 1990s, Latin American social security systems are hardly able to compete with the institutional diversity which Nordic social policy today has achieved. In addition, developments have bequeathed Latin American decisionmakers with major problems with public sector solvency—by 1998, Latin American external debt had grown to higher levels than for Africa, albeit not quite as high as for Asia (Maddison 2001: 166). Finally, numerous aspects of demography as well as of entrenched labor policymaking differences also are very different in Latin America than in the Nordic countries. Currently accelerating unfavorable demographic balances may even prevent some much-needed expansive pension reforms, and policy positions of employers' and workers' representatives are very strongly at odds on whether currently existing funded pension systems should be retained.

All this may at first glance seem very pessimistic with respect to the possibilities of exporting most aspects of a Nordic welfare or labor market model to any other country or set of countries, and specifically then to Latin America. At the same time, however, these answers should not be read as shutting out the very possibility of learning or of transfer—indeed, this may become more possible precisely when differences in initial conditions are not ignored, but also not exaggerated. Cross-adaptation of entire models will always be unrealistic even under better conditions. One set of more optimistic responses to the dark picture sketched above would emphasize the importance of setting less ambitious targets for policy learning (in either direction!) between Latin America and the far North—in other words, seeing the example of other countries as a kind of “policy utopia”, providing goals towards which real-world policy may advance in smaller steps. This involves faith in pragmatic gradualism, as also exemplified in Nordic models' history.² In likelihood, this also means enacting highly visible “pilot programs” in improved social services or transfers, with marginal increases in public revenue as necessary, in domains of social needs where more consensus on the advantages of expansive social reform exists than elsewhere.

² Gradualism in itself is of course not a recipe exclusively for social policy expansion. Also Latin American occupational pension systems have consolidated fairly gradually, from a series of elite interventions. This has resulted in a very strong “ownership principle” regarding contributions paid in, also as viewed by workers—and this may militate strongly against collectivizing or unifying pension systems. Whereas establishing such “ownership rights” may be viewed as an initially bounded series of policy “mistakes” now very difficult to take back, also gradually accreting non-universalizing policies are possible to reverse into an oppositely oriented gradualist trajectory (albeit in all likelihood painfully slow).

Regarding the prospects of policy transfer more generally, with which the fourth question addressed in this report deals, one strong overall answer is here that although differences in policy history between the Nordic countries and Latin America are major, these are not insurmountable—not least GDP per capita levels in Nordic countries were low when the Nordic model first began to be grounded, and Latin American GDP/capita levels of today compare favorably to these initial levels. More important, Latin American countries appear to be on par with the economic development in the Nordic countries of the 1950s, the time of the big universal reforms. As argued above, many other structural problems qualify the importance of these facts, and Latin American countries lack many structural initial advantages for pursuit of egalitarian policies which the Nordic countries had. On balance, the field for policy learning is still however far from closed. Also Latin American leaders are now more “free to choose” among social development policies than they have been before, albeit far from free to choose precisely which policies they please—this latter caveat applies to some degree everywhere.

Guarded optimism becomes additionally more possible with respect to the fifth, sixth and seventh questions of individual choice and portability, on what best practices can be identified, and on whether increased globalization works for or against would-be exporters of also the Nordic social model. Nordic social benefits are now highly portable at least within Europe and to a degree also beyond, and have arguably become much more so as part of the process of European integration. Also more broadly, there is very little evidence that Nordic social policy programs would be predicated on lack of economic openness to the outside world. High taxation and generous social programs have been possible to reconcile with, and are indeed to a degree predicated on, high levels of trade exposure and capital market openness. Overall, the political economy of the system works so as to more actively reconcile flexibility with equality, as well as with broad political support. The apprehensions that such a system would not be viable in an open and globalized economy do not really seem to be possible to sustain. Indeed, also in recent international rankings for 2000 onwards in sources like the World Competitiveness Report, Nordic countries are fairly consistently ranked among the top countries worldwide, and can hardly be said to subsidize unemployment more than employment.

In deciding where to possibly “start” in redesigning Latin American social policies on the basis of Nordic sources of inspiration, we here re-enter the hitherto under-assessed sixth question of what can be regarded as “best practices” from such a point of view. It must be emphasized that no such answers are uncontroversial—“best” is an assessment which is related to normatively loaded implementation goals. If the overall aim of policymakers is to reconcile freedom of individual choice with broader societal equality, reasonable levels of cost control, and political concertation, rather than to favor any one of these goals exclusively, at least the following principles may be important to keep in mind.

Firstly, regarding issues of financing, most Latin American countries may have much to gain—actually, also in beginning to formalize labor markets more—by scaling back contributory financing in favor of tax financing also on personal and corporate income. Informal activity and tax avoidance may be particular responses to the particular policy signals conveyed by highly visible and easily avoidable taxation (at least to employers and to consumers), such as contributions taken directly out of wage increases or sales taxes added directly to prices. Nordic second-tier social insurance programs are also strongly contributory, but contribution rates are also more sustainable in relation to future entitlements.

In many Latin American cases, there is one perhaps particularly promising method of transition also in “bringing informal workers in” to more universalized systems with broader-based financing. This is constituted by the use of so-called notionally defined contributions (NDCs), whereby the state can combine aspects of contributory and non-contributory financing logic within existing systems of provision. Here, state authorities can take it upon themselves to calculate what accumulated contributions workers previously excluded from social insurance systems would have paid if they had been in formal employment, and pay contributions on these workers’ behalf so as to extend them benefit

entitlements. Besides being administratively more simple than a corresponding “crash expansion” of state income tax collection, this may also strengthen signals from the state that formalized work does not only need to mean increased costs, but that this is socially valuable activity which the public authorities intend to reward people for reporting, and also (during a transitional period) to not punish people for not having reported.

Secondly, system unification over prior occupational scheme divisions can be legitimated also as a method of cost control, and also does not need to exclude a role for the private sector. It is administrative segregation which demonstrably costs money, whether public or private—not least in Latin America but also in Continental Europe, not least on its southern and eastern rims. Complete nationalization of existing social insurance programs is certainly one option, but is also distinct from “mere” unification, or from subsidy to more bottom-up voluntary social insurance schemes such as rural funds of mutual social assistance. As such, either increased subsidy or unification can also be pursued while keeping administration private. The Finnish second-tier employment pension system combined public financing with private administration, although regulating the involved actors extensively.

Administrative costs incurred can also be kept low through various methods of cost contention whereby, as in the reformed Swedish pension system, the individual “premium pension” accounts could be administered in less costly fashion. As mentioned above, high administrative costs for the funded system, including the administering body, PPM, have motivated different suggestions. This is of particular relevance to Latin American pension systems, where administrative costs in most occupationally specific funds, above all in Chile, are still much higher than even in the individualized part of the Swedish reformed pension system. It applies even more strongly to systems where even more far-ranging individualization may have been realized with higher transaction costs—as in the PRC, where individuals have to buy coverage from private-sector insurers.

Thirdly, targeting should probably be viewed much more critically than what is the case in much international development debate today when Latin American social security systems are being redesigned. Just like criticism of old import-substitution economics, and also on what are sometimes nominally leftist ideological grounds, maximum targeting has been something like a policy dogma among most multilateral aid institutions, and in much of the social policy debate in Latin America. In point of fact, it should rather be asked whether high implementation costs, uncoordinated gaps in coverage and take-up, as well as the also vertical and political segregation of poor service and benefit recipients into other programs than those for the middle class, are not to be regarded as institutional design features which inflate overall costs on the margins, and also hurt the poor. A recurring argument cited for keeping social security schemes in Latin America targeted is that this would help to keep costs down. Certainly such considerations also applied to Nordic countries from the beginning, where targeting could be an initially chosen solution. Yet universalist benefits, particularly of the basic security variety, cost very little to administer or to implement even when they may cost more in terms of overall budget. In short, alternatives to targeting deserve to be examined seriously.

The income inequality and poverty statistics reviewed above for Western countries also give little reason to suspect that high overall budgets would not be redistributive, at least in volume terms rather than, once again, on the margins. There can also be political reasons for this, or for why targeting actually limits redistribution. Those targeted are often at best the poorest, while the middle and upper classes then find private solutions not least for their needs of education and health care, to mention perhaps the most crucial kinds of social services where segregated access and provision quickly becomes an issue. More comprehensive and universalist solutions when it comes to education and health care would, however, certainly again imply overall costs that are far higher than those in Latin American public budgets of today. The levels of taxation necessary for this may not be easy to legitimate. At the same time, even marginal increases in taxation likely become even more difficult if broad majority

constituencies never use the benefits or services thus financed—even less so when these constituencies are already paying considerable fees for those private social services which they actually do make use of.

Fourthly, it should thus be emphasized that already existing levels of inequality and poverty are important to consider in deciding how more progressive policies are to be legitimated and justified. A key question to consider will thus be whether broader constituencies, in what are often extremely unequal Latin American societies, can be convinced of the idea that publicly produced or financed services could be supplied which would be of a quality also attractive to the middle and upper middle classes. Although historical data is lacking, the Nordic countries may certainly have had more equal distribution of goods and incomes, not least of land, from the start than what has been the case in most of Latin America. Yet also within the Nordic context, the pros and cons of more comprehensive universalist social security have had to be managed, to be legitimated both in the course of open and polarized political conflict and of consensus-building over social cleavage lines.

Fifthly, and finally, those wishing to strengthen the labor market basis of more inclusive social and labor market policy should also choose their tools carefully—not all tools have been possible to use in all combinations during Nordic history. Pro-active labor market policies were thus designed to promote employment and mobility, rather than to subsidize early labor market exit or (barring Sweden during the late 1970s) to conserve ailing industries. Quite to the contrary of what labor unions historically have pursued in e.g. North America, state-regulated minimum wages were also largely not pursued. Although not least the Finnish state has been involved in tripartite income policies negotiations, minimum wages have usually been pursued through collective agreements between the labor market partners, rather than by way of state regulation.

Particularly in Denmark, but also in Sweden before the 1970s, labor law and employment protection have been used much less often than also activation policies compensating the “losers” of e.g. industrial restructuring. Unions have thus accepted, at least to a fargoeing degree, workplace rationalization and fairly extensive flexibility in hiring and firing. When contesting such decisions, the state has usually not been turned to—the unions have more often tended to trust their own resources, something which may be difficult to reconcile with more longstanding Latin American union traditions of state-involving corporatism and direct statist labor market regulations (with greater or lesser degrees of actual implementation for strict formal rules).

Those political decisionmakers who see the Nordic model as statist in this regard, with respect to labor market policy, may quite to the contrary need to understand that what is needed is less, rather than more, state tutelage of labor market organizations—above all in comparison to the very high levels of corporatist organization overlap which constituted the legacy of Peronism in Argentina. Greater equality by Nordic methods thus may actually entail setting the unions and employers more free rather than controlling them more—something for which not only the partners, but also state decisionmakers, may need to prepare for. At the same time, there is some evidence in the Argentinian and Uruguayan cases that a positive platform may exist for such new social pacts potentially involving the unions. Union organizations are fairly strong here by Latin American comparison and have been involved in disseminating mutualist organizational solutions—these countries also have relatively high values on international social indicators such as UN’s Human Development Index (HDI), despite serious problems with economic inequality and poverty (Carmen Ariega, direct information, November 18th 2005).

Sixthly, and lastly, such expansion and reform of extant social policy as may be deemed desirable can be grounded in a broader set of related reforms, and actually in both reinterpreting and limiting conclusions on what the substance in “foreign examples” actually is. Here we come to some of the most central conclusions of this report, deserving of extra “amplification” for policy purposes. No single “social model” for the Nordic countries has ever existed—a single model hardly even exists in Latin America, where export of e.g. the Chilean post-1980 model of privatized pensions has been attempted

but has run into repeated practical complications (Kay, 2000). There is also no single element in social protection—transfers, social services, and labor market policy may all be variously important, and policymakers should not myopically focus on only one kind of measure, or be discouraged by failures to move forward only on one front. Distributive policies followed in the Nordic countries, as well as labor market policy interventions, have actually more often been indirect than direct. Redistribution has addressed relative rather than absolute poverty, with people being lifted out of also absolute poverty by programs actually addressing the former goal. The state's role in Nordic labor market policy has also been highly non-interventionist, not least in internationally fairly limited labor market legislation, and has recognized a role for market discipline also of wage claims—calls for “more labor market policy” in a Latin American context thus do not need to be interpreted as calling for stronger state intervention.

Focusing on related reforms here with particular respect to Nordic labor market policy, it should be emphasized that both strong unions and strong employers' federations are a prerequisite for such policies as outlined here. Further, elements of potentially useful policy consensus between such actors may be of use. Adequately structured partners' organizations, complete with policy departments and programs of internal training, are here of help. Avoiding state corporatism of a tripartite character may also bring partners to the negotiating table, although this may of course also slow down some variants of progressive change. Finally, elements of policy consensus which the partners may also be able to “meet around” involve policies of income distribution involving “give and take”, with more militant demands from both sides left out, that both sides recognize an extensive role for market forces also in wage determination, and that competitiveness, justice and growth objectives can in several senses be possible to reconcile. Such elements of organizational development and policy learning are thus tasks for non-state actors, rather than only applying to state elites “learning” from one another.

Given all these considerations, the near-term policy goals of increasing unification, concertation, universalization and egalitarianism remain possible to pursue in Latin America today, also through inspiration from the Nordic example. This may involve not only strengthened national and sub-national decisionmaking capacity, but also framing new discourses offered with respect to at least two broader policy standpoints. Firstly, economic openness to the outside world need not be damaging to the prospects of broader social development, although this does entail hard work to actively reconcile objectives of flexibility with those of security (in themselves, far from mutually antagonistic goals). Secondly, also political openness to the outside world has its place—social policy is not only a matter of denizens' and citizens' rights, but also of broader human rights, as envisioned also in the UN's and even the World Bank's programmatic social policy advocacy. It is time for forwardlooking decisionmakers to expand the possibilities of politics (Ringen, 1987) in these respects once more.

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Appendix

Table A1

COVERAGE OR TAKE-UP, AS WELL AS INSTITUTIONAL STRUCTURE, OF THE FOUR MAJOR SOCIAL INSURANCE PROGRAMS AND THE HEALTH CARE SYSTEM IN THE NORDIC COUNTRIES, AT SCHEME INTRODUCTION (OR IN 1930), AND IN THE MID-TO-LATE 1990S OR EARLY 2000S (AS AVAILABLE)

Country	Denmark		
Scheme / comparison aspect, yr.	Institutional struct. (yrs.) (or, 1930 - / in 1985)	Coverage at adoption (or in 1930) *	Coverage in mid-to-late 1990s / early 2000s **
Work accid.	Cmp.	68	100
Old age pens.	Tgtd. 1891- Bsc. 1960-	45	100
Sickness ins.	Vol. 1892- Cmp. 1972-	94	100
Unemp. ins.	Vol.	28	89
Health care system	National health svc.	---	100
Country	Finland		
Work accid.	Cmp.	36	78
Old age pens.	Cmp. 1937- Bsc. 1956- Enc. 1961-	0	100
Sickness ins.	Cmp. 1963-	100	100
Unemp. ins.	Vol.	1	98
Health care system	National health ins.	---	100

Sources: Institutional structure information for social insurance as of 1930, or since transition years, as reported in Table 3 (see also Notes below). The abbreviation "Cmp." refers to compulsory insurance ("c" in Table 3)—here, for the Finnish pension system in 1937-55, referring to a unified state contributory scheme constituting an alternate variant of basic security, in which almost everyone is entitled, based on contributorship if not citizenship. For overall health care system institutional structure, classification pertains to 1985 as reported by Gordon (1988).

For social insurance programs coverage, SCIP (various dates; see Note 1 below). All variables refer to shares of target populations (ages 15 to 64) formally entitled to benefits, and are coded as updated by September 28th, 2005 from scip00 20050719.sav. These are as follows: work accident coverage as a percentage of the labor force (ACOVRTL); old age pensions take-up as a percentage of those above normal pension age (PTURATPA); sickness insurance coverage as a percentage of the labor force (SCOVRTL); unemployment insurance coverage as a share of all employees (UCOVRATE). Coverage averages in Figure 2 above have been calculated on partly different underlying data, with both pensions insurance (formal) coverage and unemployment insurance coverage calculated as shares of the labor force (PCOVRTL and UCOVRTL respectively). For health care, data refers to public health care system coverage as a percentage of the population (Bambra, 2005: 207; see also Note 2 below).

For notes, see next page.

Table A1(cont.)

COVERAGE OR TAKE-UP, AS WELL AS INSTITUTIONAL STRUCTURE, OF THE FOUR MAJOR SOCIAL INSURANCE PROGRAMS AND THE HEALTH CARE SYSTEM IN THE NORDIC COUNTRIES, AT SCHEME INTRODUCTION (OR IN 1930) AND IN THE 1990S OR EARLY 2000S (AS AVAILABLE)

Country	Norway		
Scheme / comparison aspect, yr.	Institutional strct. (yrs.) (or, 1930 - / in 1985)	Coverage at adoption (or in 1930) *	Coverage in mid-to-late 1990s / early 2000s **
Work accid.	Cmp.	57	89
Old age pens.	Tgtd. 1936- Bsc. 1957- Enc. 1966-	81	100
Sickness ins	Corp. 1909- Cmp. 1956-	48	100
Unemp. ins.	Vol. 1906- Cmp. 1938-	6	100
Health care system	National health ins.	---	100
Country	Sweden		
Work accid.	Cmp.	56	100
Old age pens.	Mxd. 1913- Bsc. 1946- Enc. 1962- Ref. 1999-	70	100
Sickness ins	Vol. 1891- Cmp. 1955-	35	100
Unemp. ins.	Vol. 1934-	9	97
Health care system	National health ins.	---	100

For sources and definitions, see prior page.

* **Note 1:** Data pertains to 1930, the first SCIP census year, when legislation has entered into effect prior to that year according to Table 3. Scheme "adoption" refers, as in Table 3, to laws' year of entry into effect whenever separately reported, and otherwise to years of enactment. Data pertains otherwise to the SCIP census year most closely post-dating the first year in which (new) schemes enter into effect, or are enacted—as appropriate, 1939, 1947, 1950, or every fifth year thereafter until the last year currently available (2000).

* **Note 2:** Latest social insurance coverage data pertains to SCIP values of variables as recorded under Sources (above) for the year 2000, except as follows. Work accident insurance coverage pertains to 1995 for Finland; unemployment insurance coverage for Finland and Sweden pertains to 1995, as preliminarily estimated in Carroll (2003: 99). Public health care system coverage data refers to 1998.

Table 1's temporary inequality and poverty estimates for Australia and for France have been made on the basis of the following assumptions, of which 1-2 definitely break with Korpi's and Palme's (1998) as well as the OECD's praxis (followed in all other calculations for Table 1), while 3-7 may do so: (1) All included in total populations above age 15. (2) Equivalence scale uses the square root of the number of persons in the household, regardless of age. (3) Families are excluded from multifamily households. (4) After poverty lines have been calculated and before poverty rates are calculated for the elderly, only those aged 65 or older are included when computing the proportion of this subgroup living below the threshold. Thus, poverty thresholds used do not vary by age-group specific runs made, whereas the households included in calculations do. (5) LIS datasets are top-coded at 10 times the median of non-equivalized income and bottom-coded at 1 percent of equivalized mean income. (6) All zero incomes are excluded. (7) Person weights are used for calculating income inequality for the whole population, while poverty rate calculations for the elderly apply a weight multiplying the household weight by the number of members 65 years old or older.

For Table 3, on various social insurance laws, institutional markers or legislative type information for first and subsequent laws, whenever reported separately (within each risk- and/or program-specific column) is labelled as follows. In the absence of an explicit institutional type indicator, compulsory insurance (otherwise labelled c) has been legislated.

1) **Social assistance:** (o = original poor law, often entailing indirect regulation of municipalities' last-resort income support responsibilities; m = modern social assistance law).

2) **Work accident:** (e = mandatory employer liability).

3) **Old age pensions:** (t = targeted program; b = basic security; e = encompassing; m = mixed system; er = underdeveloped earnings-related scheme (secondary program); sp = special savings pension (secondary program); r = more comprehensively reformed system).

4) **Sickness and unemployment insurance:** (v = voluntary state subsidized program; cp = state corporatist).

5) **Disability insurance and health care benefits or service regulations (if *not* combined with pensions or sickness insurance, respectively):** (h1 = first health care benefits subsidy law, typically involving extensive public subsidies of health care costs, if not previously legislated in sickness insurance; h2 = second (modern) health care services regulatory law, typically expanding public authorities' responsibility for providing health care services at no or very low direct costs to patients; i1 = first invalidity /disability insurance law, if separate; i2 = second disability insurance law, typically reintegrating provision with pensions).

6) **Family policy:** (bt = cash child benefits from first child in family, targeted; bu = cash child benefits from first child in family, universal; dpi = dual parental insurance, compensating for wage loss for either parent). See also Table A.1.

In Table 5's first panel on active labor market policy expenditure, for 1950-73, "active measures" are defined as following on which separate sub-posts exist: for Denmark, unspecified "unemployment services"; for Finland, public works, retraining and employment services; for Norway, employment services and public works; for Sweden, "employment guidance", retraining and public works. For 1987-2000, active measures refer to public employment services and administration, labor market training, youth measures, subsidized employment, and measures for the disabled. For 2003, active measures refer to PES and administration, training, "employment incentives" (possibly subsuming much expenditure previously referred to as "subsidized employment"), direct job creation (formerly an identified sub-total of "subsidized employment"), start-up incentives, and "integration of the disabled". Expenditures on some of these new posts are negligible. For Finland and Sweden, "employment incentives" also include non-zero spending on a separate category of measures identified by Eurostat as "job rotation and

sharing”, apparently included inconsistently or not at all for other countries. PES and administration expenditure explicitly includes administration costs of the independent voluntary unemployment insurance funds in Finland, but excludes them for Denmark.

In Table 5’s second panel on unemployment benefit replacement rates, the underlying variable, URTSW26S, is the per-week benefit available over a half-year (26-week) spell of total unemployment to a single male worker previously earning an average production worker’s wage. Gross, pre-tax weekly benefits (after possible initial waiting days) have been calculated as a percentual share of the gross wage. A worker with the following characteristics has been assumed: a) thirty years old, b) has worked for ten years all in all, c) has worked for five years at the present place of employment, d) has not been unemployed during the past two years, and e) is not living with his family of origin.

In Table 7, net benefit expenditure is calculated out of gross by first subtracting direct taxes and contributions paid out of public social cash benefits from the gross total, as well as then subtracting indirect taxes on private consumption financed by the net cash transfers then remaining. In a second step, tax breaks for social purposes (TBSPs) mirroring cash benefits are added, and indirect taxes financed by such tax benefits similar to cash are then also subtracted. In a final step, tax breaks for social purposes towards current private social benefits are also added. Net current public social expenditure is thus the sum of all net direct public social expenditure with the sum of all net TBSPs similar to cash benefits, in the latter case however not including pensions. For more detail, see Adema (2001: 25, Table 6).

For the GDP/capita and population statistics by Maddison (2001) in Table 10, the 16 largest of the 29 Western European countries on which regional statistics rest are Austria, Belgium, Denmark, Finland, Greece, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the UK. An additional 13 small Western European countries are also included in the regional total, sometimes with spottier data: these are Andorra, the Channel Islands, Cyprus, the Faeroe Islands, Gibraltar, Greenland, Iceland, the Isle of Man, Liechtenstein, Luxembourg, Malta, Monaco, and San Marino.

For the Latin American GDP/capita and population statistics, a total of 44 countries are included in the regional totals. The first groups among these constitute 23 “core” and “additional” countries: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Trinidad and Tobago, and Uruguay. An additional 21 very small, largely Caribbean countries or principalities have also been included in the 44-country regional total: these are Antigua and Barbuda, Aruba, Bermuda, the Bahamas, Barbados, Belize, Dominica, the Falkland Islands, French Guyana, Grenada, Guadeloupe, Guyana, Martinique, the Netherlands Antilles, St. Kitts and Nevis, St. Lucia, St. Pierre and Miquelon, St. Vincent, Suriname, Turks and Caicos Islands, and the Virgin Islands (UK). The latter 21-country group is covered by a much higher rate of assumption-based calculations (these are much higher as a share of calculations also for the 44-country sample as a whole in earlier years). For “Latin America” and “Europe” as defined in the other tables, country identification cannot presently be confirmed.

For the import/export data for Table 10, comparisons have been complicated by the fact that the original data source by Mitchell (2003a, 2003b) goes over to reporting of imports and exports in millions of US dollars starting in 1994, while often not doing the same for reporting of GDP by the national accounts (which continues to be reported in millions or thousands of millions of national currency units—these have however been mutually converted to the same numeric scale whenever possible). GDP in national currency has been converted to US dollars for 1998 in Europe, and for 1997 for Costa Rica, by using inverse ratios of the following interbank 365-day average exchange rates in each year (Jan. 1st to Dec. 31st) as accessible via <http://www.oanda.com/convert/fxhistory> (logdate September

22nd, 2005): USD to SEK, 7.95256; USD to NOK, 7.54937; USD to DKK, 6.70276; USD to FIM, 5.34749; and USD to CRC (the Costa Rican colon), 232.18730. Of the Nordic currencies, only the Finnish mark has been replaced by the Euro to date (with Norway not even being part of the EU)—the new currency was also not officially adopted until January 1st, 1999 (with notes and coins introduced as legal tender on January 1st, 2002, and with the last day of parallel FIM circulation being February 28th, 2002). Historical Finnish data is presently compromised by apparent unit non-commensurability, even to the same numeric scale, for GDP and trade volume reporting, and thus must unfortunately be excluded for now.

For Latin America, lack of GDP estimate availability in the sources used, and/or insuperable problems with units reporting incommensurability and/or currency conversion, presently exclude the computation of imports and exports as a share of GDP prior to 1997 for most countries here focused on—at least with the sources here used, although Maloney (2002) reports estimates for Brazil, Chile and Mexico using the same sources going back into the 1930s. Any further possible recomputation requires more specific trade statistics expertise.



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