

OPEN DISCUSSION

Members of the audience had an opportunity to raise questions and offer their own views during both the morning and afternoon sessions of the seminar. Those contributions are reproduced below, together with the responses and further observations of the speakers.

MORNING SESSION

Ellis Wohlner, actuary with Folksam insurance company. I have a question about the financing of the welfare state. I am a strong adherent of the welfare state, and think that the so-called problems with tax rates are often exaggerated. But there are arguments to prevent any further increases in tax levels, and even pressure to cut them. This includes taxes on capital, income, value-added taxes, inheritance taxes, property taxes, and so on. While there are undeniably needs to increase welfare expenditures, I wonder if any of you have any comments on the issue of taxation levels.

Ursula Wiljanen, graduate student at Uppsala University. I would like to say first of all that I appreciate very much the argument laid out by Gösta Esping-Andersen. The one thing that I question is his characterization of Lena Sommestad's and Stein Reegård's remarks as an issue of labour markets vs. the private sphere of the home. Of course, it is very difficult to gauge cause and effect, but it seems to me that one of the reasons why men in Sweden perform so much more work in the home is that the welfare model here has been regarded as gender-neutral. The idea is to have pro-family and pro-parent policies, as opposed to strictly pro-women policies. So I question the idea that state policy and corporate policy do not directly affect how much men are willing to contribute in the home, and whether it is not, in fact, a labour-market issue-- not just a private issue.

I guess it's a question of language for me, too. I don't want to erase history, and say that women have not had a heavier burden in the past. But to create a future model that talks about helping women to help society, instead of helping parents to help society, helping families to help society, is more than a question of semantics. I think it is a language issue that becomes a policy issue. And as just a little side note, I think that using terms like "grunt mechanic" might not help to end class divisions. But, as I said before, I think on the whole that the argument you've laid out for the social welfare model and the future of it is excellent.

Hans Larsson, Prof. of Economics, Stockholm University. Concerning the financing of the welfare state: To put it in economic terms, the key concept is willingness to pay. To anyone complaining about taxes, you could reply that, "You do not have to

pay any taxes, but in that case you will have no access to public services. Which choice do you make?" Then you could propose a bigger and bigger public sector and find out where the respondent draws the line. Of course, it is impossible to apply this test in reality, due to the "free rider" problem. Most people will not reveal their exact preferences. But it is possible to make some calculations on the basis of what people actually pay for the services provided in Sweden. In the United States, fourteen percent of Gross Domestic Product goes to health care, compared with seven percent in Sweden. In Switzerland, people pay as much in insurance premiums as they do in taxes. My rough calculation would be that, for those with very high incomes, it would be rational to pay roughly ninety percent of income for public services, compared with what they would have to pay in the market if that were the only alternative. So I would say that, in its present form, the welfare state results in a large redistribution from those with low incomes to those with high incomes.

Stein Reegård. What I would like to stress is that the Nordic model consists of more than the social insurance system. It is very much about the labour market, which in the Nordic countries is highly regulated. That is very important as a basis for the comparatively small differences in wages, and for the high rate of participation among various groups, especially the poorly educated. I think that one explanation for the high rate of employment among older workers in Sweden is the strict policy of "first hired, last fired". In general, the Nordic model is characterized by rules and regulations that balance the powerful interests of the labour market.

Lena Sommestad. I also think that it is important to develop policies that are useful for society as a whole, as Gösta Esping-Andersen has argued. It is a type of argument that has been very important in promoting gender equality. It is very obvious that such arguments have contributed to the advances of women in Sweden. But I do not feel that you can say that, because something is good for society, that you should build a society on an unequal idea of how work should be distributed. If you open the door a little bit for women to come out of the home, they will soon want to fling it wide open and have much more freedom. So this is a process that takes some time.

This is what we have seen in Sweden. You start by questioning the very idea that men and women should have different rights and responsibilities. Then, after awhile, you come to the basic idea that we should be equal, that there should be fairness. I think it is very difficult to avoid arriving at that point, sooner or later.

However, I do feel that it is very good to suggest the strategy that Gösta Esping-Andersen has proposed for the EU as a whole-- i.e. to strongly support the two-earner model of the family and investments in families with children. In the end, this will also contribute to women's emancipation, because the first step is to come out on the labour market.

I also think that it is important to discuss what is going on in the home. When we talk about "exporting" services from the home and so on, time is clearly a key issue. Gösta has pointed out that time is a scarce commodity in today's households. It is a very fundamental question as to whether we have time for one another in our homes today and, in particular, if women have time to deal with heavy double

burden of work and home. It is not enough to say that women are fantastic, that they are driving society forward. We should ask whether women will really make it, in the end, and what will happen to women's health and to children if we go on like we have been.

Gösta Esping-Andersen. I would say that the question of taxation and the welfare state's financial basis is related to the distribution of time in households. Both issues point to the need for a new distributional logic for the kind of society that is emerging. I'll try to give a couple of examples which illustrate the connection.

Consider the allocation of time between leisure and work as it has evolved over the past 50-60 years. We have taken out the larger portion of our leisure time at the end of the life cycle, when it is probably least interesting. In our grandfathers' time, average retirement age was 65, and the average age at death for men was about 68. They had very little leisure at the end of their lives. Now, the average retirement age for European men is 59, and they live to be 75 or older. We have cut the working years at the beginning by getting more education, and at the end by retiring earlier and earlier. We have accumulated the leisure benefit at the tail end of life, hopefully with an active retirement.

Is that a rational allocation of work and leisure for the society that is now emerging— where the aged are becoming increasingly healthy, better educated, and so on? We might respond to the time crunch experienced by families with children by reasoning that we should distribute "retirement" over a longer period. There has been some discussion, for example, about "life-time sabbatical accounts" which would make it possible to take out one's retirement benefits flexibly, over the entire life cycle, instead of accumulating them for use at the end.

This is one way to think about organizing work and leisure in a way that corresponds to the conditions that apply in the emerging society, especially considering the ongoing convergence between the life patterns of women and men. I feel it is urgent to begin thinking of leisure as a dynamic element of the entire life cycle.

Another example has to do with the timing of inheritance. It is important to keep in mind that inheritance has always been, and continues to be, a key mechanism in levelling out the various risks incurred during an entire life span. In the good old days, when our grandfathers died at age 67, the benefits of inheritance were passed on to the next generation of families with children when they needed it most. Today, those of you who have recently inherited may have noticed that you were around 55-60 years old at the time. This is because parents are now living so much longer; when they die and leave assets, their children are now older and have less pressing needs. As a result of ageing, there has developed an asymmetrical pattern with regard to inheritance. This is one reason why the relative income position of young families is increasingly unfavourable.

This is another factor that suggests a need to rethink the distribution of taxation-- not just tax levels. The debate has focused too much on the tax bite, and too little on its distribution among age groups and other categories.

Another important consideration is that it makes absolutely no sense to talk about taxes without comparing them with private outlays. I have actually done some

calculations for Sweden and the U.S. which compare an average family with two children. The Swedish family pays just about double what the U.S. family does in taxes. That's why many Swedes say, you know, "It's paradise in the U.S. Everybody has a Cadillac and all these wonderful things."

But they forget that a comparable U.S. family does not get very much from the state and has to pay a lot more out of pocket. When you compare the average outlays of the two families, including private coverage of health care, pensions, education and day care for children, etc., etc., it turns out that there is an exact convergence between the households. They spend the same. The Swedes spend it out of one pocket and give the money to the state; the U.S. family spends it out of another pocket and gives it to the market. But the total bite on the household budget is identical.

That's for the *average* family, but not for the non-average family. That is why there are over 43 million U.S. citizens without health care-- a number equivalent to the entire population of Spain. They are priced out of the health market. If they were to purchase health care, families in the lowest twenty percent would have to spend something like 16 percent of their income. They can't afford it.

If a family at this level wanted to purchase day care so that the mother could work and contribute to household income, it could not afford it. That is why day care for an estimated twenty percent of U.S. children consists of being parked in front of the television without supervision, while the mother works.

Therefore, it is my view that the focus of the debate about taxation should be shifted from the issue of tax rates to distribution. It would be fair and just for today's older people to be paying higher taxes in order to finance the welfare of children. This applies especially to the many pensioners whose income exceeds their expenditures by thirty percent. There is clearly a case for taxing excess pension income. It is a question of simple equity.

AFTERNOON SESSION

Gabor Tiroler, consultant on health projects in developing countries. I would like to thank Professor Wilkening very much for his address. I do not mean any offence to anyone, but I must say that it was not provocative: It was *moving*. But, in Sweden, men are not supposed to show too much emotion in public, so I will try to restrain myself.

I would like to say of the earlier lectures today that *they* have been provocative, to me. They have been provocative in what they have left out-- what I think Professor Wilkening has included. I can not say that anything was wrong with the earlier presentations. I am not on that level of science. But there are facts that were definitely left out, and I am curious to know why.

One of the general features that I noticed was that all of the earlier speeches had very much to say about women, and about Sweden and other countries. Forgive me if I have missed anything, but I did not notice any specific reference to disadvantaged groups, such as those in the U.S. to which Prof. Wilkening referred. . . .

When talking of social welfare, we must talk of social class. To make a comparison between an upper-class woman and a working-class man, I think that if we look at quality of life, or options for choosing and options for coping-- which is very much a feature of stress research-- that the difference between a relatively poor man and an upper-class woman is greater than between different women. In these presentations, I lacked that kind of perspective.

Finally, I do think that our social welfare is being destroyed at a very rapid pace, and I am glad that we are being warned about it.

Ellis Wohlner, actuary with Folksam insurance company. I would just like very briefly thank Prof. Wilkening. I have been here for 29 years, since I gave up on the political and social system in the United States which you described. I do not hate the U.S., but I could not bear to live there any longer. We have had this seminar today with many interesting presentations with a lot of facts and figures. But you are the only one to mention the *interests* that are involved in what is happening to our social-welfare system.

And I find that, even among my friends who are very well-informed, politically conscious and so on, there is a measure of naiveté about what is actually happening, and about the interests that are driving this development. It is not just the Reagans and the Thatchers. It is also the Tony Blairs, and it is also-- I won't mention any names-- certain figures in Sweden. But there are a lot of people in this country, in responsible positions in the political party of which I am a member, who do not really understand what is going on, unfortunately.

Leif Svanström, Prof. of Social Medicine at Karolinska Institute. It is interesting to hear the first two comments here. There are two groups of people in the world: the illusionists and the disillusionists. I think Sweden is interesting-- perhaps more interesting for those who come from the outside and want to see the dreamland. I have been hearing that during my entire life. But to come down to earth again, Werner. Of the 24 examples you mentioned, which are still in place? Those are of great interest, because they are a reflection of the interests behind good reforms. Perhaps those that have been lost during this period may be more a reflection of a period that goes way back. . . . So if you go through your list again, would you say that they are all gone, these 24 items, or are they still there?

Werner Wilkening. Well, I will tell you that, of this particular list, the one that impressed me most when I first came here and recognized it, was an economic policy aimed at ensuring full employment. I'll tell you why: Coming from Germany at that time, we already had something like 2-3 million unemployed. This led to homelessness and many other social problems, due to an inadequate economic policy. . . . Then, here I came to a country with 1.8 percent unemployment. It was just like entering paradise. It was man-made. It could be done! But no one in my country seemed to realize it, or take the risks of the conflicts involved in setting such a policy in motion.

Leif Svanström, Prof. of Social Medicine at Karolinska Institute. Yes, but as you have pointed out, there are other interests that are better organized, with stronger support than they had the first time you were here and made your observations. There is not a certain level of employment that you can count on all the time.

You should pick some *good* examples from the last period. For example, when you were here years ago, there were a number of homeless people on the streets of Stockholm. But in spite of the fact that we have experienced such an awful unemployment level, by Swedish standards, the number of homeless people out on the streets is no greater than before. Fifteen years ago, we calculated that there would be many more in such an event. But we were dead wrong, because we miscalculated the protective effect of the welfare system that was built up, and which in part is still here. We now have to find new questions, and find those who have an interest in *improving* the situation. Today, we have heard about what women are struggling for. I think that is of utmost interest for all of us. Progress has been made in that area, and there are more such examples, even if we have lost some battles-- but only partly, in my view. We still have a very high union density. . . .

Why are you giving up? We are fighting. It is still a dreamland, even if we have not solved all the problems of our time. That is my point.

Werner Wilkening. If we can get Europe to recover and rebuild a the type of society that produces the effects which I saw when I first came here-- beautiful. It can no longer be done by a single country, I agree. By the way, unemployment is not only a matter of getting a paycheck, or having shelter and enough to eat. I have been unemployed only five weeks during my life and, I tell you, it was humiliating, I felt I was not needed, I was of no use to anyone. The impact on my self-respect, my identity, was the most adverse effect of unemployment. I think you can pay people as much unemployment compensation as you like, but our societies build concepts of self, of happiness, of identity, on the ability to contribute to the common good. That is the real catastrophe of individual and collective unemployment.

I prefer social systems that are preventive, to those that are "repair shops". It has to do with the ability and willingness of people to steer their own fates, and not leave it to the financial markets! I doubt there is a head of government in this world, including the president of the United States, who is not shaking with fear that the financial markets may punish him and give him a hard time.

And I think that is *horrible*.

Joakim Palme. This discussion relates to the question of what remains of the Nordic model. Prof. Wilkening has his 24 points, and I think we can all agree that they are not all present today-- and I would even say that some have never been, to be somewhat provocative. It might be as my Finnish colleague, Ola Kangas, once said, that the brightest future of the Nordic model is in the past. But it might also be that it is going in a different direction, toward improvement. The point is that it is a result of political mobilization of women's interests, of workers' interests and of combining different interests into majorities to arrive at what Gösta Esping-Andersen refers to as win-win solutions.

I have seen the Nordic model as a way of maintaining a profitable private sector, which is exposed to international competition. In this respect, I do not think there is any difference between 1988 and now. We could not then have firms that were less profitable than in other parts of the world, and it is not possible today. But how we divide the total sum of wages between direct pay and the "social wage" is something that can be discussed.

Werner Wilkening. I can only speak in terms of possible political strategies, and the one that seems most likely to me is to try to recover the essence of the Nordic model, and re-create it on the European level. Get organized, get vocal, find allies. I feel that the Nordic model has not been adequately propagated, for example in Germany. To promote the Nordic model all over Europe would be a project worth trying. It is one of the reasons I am here today.

Can you imagine a country where only about one-third of municipalities have a day-care centre, and about 95 percent of all schools close between 1:00-2:00 in the afternoon? That is the situation of women in Germany who are trying to raise children and also participate in the labour market. People in Germany do not even know how far the Nordic alternative has been developed.

Wuokko Knocke, Swedish National Institute of Working Life. I am not a specialist on the Swedish model. But I do know that it was a special model that was created in the 1950s, and it formed a totality where the solidaristic wage policy was one aspect. It was a time when Sweden was undergoing structural change with the trade unions and everybody being very positive about renewing industry; and new industries *were* created. There was also an active labour-market policy which was very, very good. People who lost their jobs in obsolete industries were retrained and were able to get new jobs.

Today, of course there are still many good things remaining. But "the Swedish model" as I understand it, with wage solidarity and labour-market policy, is totally different. It has nothing to do with the model of the 1950s. That does not mean that the Swedish welfare state has been eliminated. I did not understand Werner Wilkening to mean that there was nothing left. What I understood him to say was: Be careful. Things are happening. What about the corporate interests, like the examples he gave from the United States? Be aware of that.

That was the most important message I received today.

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