

**Almaz Zelleke, “Lessons from Sweden: Solidarity, the Welfare State, and Basic Income.” Paper presented at the Fifteenth Congress of the Basic Income Earth Network (BIEN), McGill University School of Law, Montréal, June 27-29, 2014**

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**Abstract:** Critics of a universal basic income have argued that most nations face a budgetary choice between a full basic income and investment in public goods, including universal health care, free and well-funded education, and universal pensions, and have prioritized a robust welfare state, or the “Swedish Model,” over basic income. But examination of Swedish economic policy reveals that the welfare state is only one of the ingredients of the Swedish Model, and that the other is an interventionist labor market policy unlikely to be expandable to larger states without Sweden’s cultural and demographic characteristics. Indeed, evidence suggests that Sweden’s own recent diversification—not only of race and ethnicity but of occupational strata—will make the Swedish Model less stable in its own home. What lessons can be applied to the case for a basic income in the U.S. and other large and diverse nations or regions?

## **1. Introduction**

Some critics of a basic income argue that progressives should prioritize the public provision of goods and services over a basic income, pointing to the Swedish welfare state in particular as a model for the U.S. to emulate. Economist Barbara Bergmann is a prominent example, having first made this argument at the inaugural U.S. Basic Income Congress in 2002 and as recently as this spring as part of a PBS *Newshour* episode on the successful petition for a referendum on a basic income in Switzerland.<sup>2</sup> Sociologist Lane

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<sup>1</sup> I wish to thank the participants in the session of the BIEN congress at which this paper was presented for many useful comments and questions.

<sup>2</sup> Barbara Bergmann, “A Swedish-Style Welfare State or Basic Income: Which Should Have Priority? In Eric Olin Wright, ed., *Redesigning Distribution: Basic Income and Stakeholder Grants as Cornerstones for an Egalitarian Capitalism* (Verso, 2006), pp. 130-42 (first presented at the 2002 U.S. Basic Income Congress, CUNY Graduate Center, New York, March 8-9, 2002, and available online as USBIG discussion paper 10); April 2014 interview on PBS *Newshour*, “Why Sweden, not Switzerland, should be America’s social welfare model,” available at <http://www.pbs.org/newshour/making-sense/sweden-switzerland-americas-social-welfare-model/>.

Kenworthy made a similar argument in his recent book promoting the broader version of the Swedish Model that includes some of its labor market policies in addition to extensive public provision of goods and services.<sup>3</sup>

Bergmann argues that it is unrealistic to expect U.S. taxes to increase enough to finance both a basic income and the goods and services provided a Swedish-style welfare state, including universal health care and childcare; highly subsidized housing and college; higher spending on public transportation and schooling; and targeted cash supplements to children and the low-income elderly. Bergmann prefers public provision of what she calls “merit goods”—goods that we believe everyone should have access to whether they can afford them themselves or not—over a generous basic income for three main reasons, which can be characterized as *public finance*, *paternalistic*, and *feminist*.

Bergmann argues that it would be impossible, or at the least, highly unlikely, for the U.S. to finance a basic income that would allow all to afford these merit goods regardless of how many children or special medical needs they had, and whether they were single parents or not (the *public finance* objection). Even if the basic income were high enough, she argues, some recipients would spend their money on other things and not on the merit goods they ought to spend them on (the *paternalistic* objection). And if a basic income is high enough to allow withdrawal from the labor force, she believes more women will withdraw to care for children than men, and this will have negative effects for gender equality (the *feminist* objection). Kenworthy, while conceding that the idea has some merit, argues that a generous basic income would reduce employment and the tax base necessary to finance government functions, including those public goods that only

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<sup>3</sup> Lane Kenworthy, *Social Democratic America* (Oxford University Press, 2014).

government can provide—infrastructure, public safety, education, and a strong safety net—and which should take precedence over the freedom-maximizing potential of a basic income. He claims as well that the notion of reciprocity is strong in the U.S. and not supportive of unconditional benefits.

Against this background, my aim is to examine the plausibility of a Swedish-style welfare state in nations or regions outside of the Nordic region—particularly in the U.S. and other large and diverse nations and regions. I look beyond the usual shorthand of generous public sector benefits and high taxes to uncover other aspects of the Swedish Model that may account for its current limited replication beyond its home region (which appears to include only the Netherlands). It seems intuitively unlikely that a model limited to such nations could be applied to larger and more diverse entities like the U.S. and the European Union, but it's worth exploring the question, as basic income advocates are well aware that intuition sometimes keeps us from seeing obvious solutions to seemingly intractable problems. Before I begin that exploration, I want to touch briefly on the *public finance* reason Bergmann and Kenworthy give for preferring robust public provision of in-kind benefits to the cash benefits of a basic income.

## **2. Merit Goods, or a Basic Income?**

Bergmann's *public finance* concern is that a basic income could not be high enough to pay for important public goods, especially when considering the differential needs of families of different sizes and with different medical needs. This objection has some merit in the case of health care, where medical expenses can vary widely among individuals and families, and would certainly increase the cost of a basic income that had to cover every possible medical condition. The provision of health care for Americans

would have been of particular concern when Bergmann first wrote about basic income, before the passage of the 2010 Affordable Care Act (ACA, or “Obamacare”), which made subsidized health insurance more widely available and improved the availability of coverage for individuals with existing medical conditions, who were previously unable to find affordable coverage in the individual insurance market. Gaps in coverage remain under the ACA, of course—largely because of the resistance of a majority of the Republican Party to public provision of health care, or even universal health insurance—but they are likely to be filled in the coming years as the benefits of the ACA change public and, eventually, political attitudes toward expansion of publicly subsidized and mandated health insurance. Ironically, because of the inefficiencies of our current system as opposed to truly *universal health insurance* or public provision of *universal health care*, were the U.S. adopt a system of public provision our health care spending (public and private combined) would likely *decrease* rather than increase, freeing up more funds for improving the amount of care available to those with higher health care costs.

While Bergmann is right that health care, or at least health insurance, should be universal and publicly subsidized, it is because health care is the kind of good that suffers from market failure and thus requires some sort of mandatory universal system (either insurance mandates, as in the U.S., Germany, the Netherlands, and Switzerland, or a single-payer system, as in Sweden and many other countries), not just because it is a “merit” good. Without a universal mandate and anti-exclusionary regulations on insurers, the health insurance market suffers from adverse selection, under which those with the highest need and potential payouts from insurers are more likely to sign up, causing insurance prices to spiral upward and compound the effect. It’s not clear that education—

particularly higher education—suffers from the same kind of market failure. The U.S. already has compulsory schooling and public financing of free elementary and secondary education and subsidized tertiary education. Schools and colleges could use higher levels of public financing, but it's not clear that increased financing would be more effective if given to the schools or colleges rather than the individuals.<sup>4</sup> In the case of primary and secondary schools, the inequalities of educational outcomes largely follow economic inequalities of families and the residential segregation to which they give rise, rather than educational spending. It's unlikely that educational outcomes will equalize with more funding to the schools alone, without an increase in the economic security of poor families.

In the case of colleges, there is at least a plausible argument that using tax revenue to increase public financing of institutions enough to make them free for students, as they are in Sweden, is a subsidy from lower earners to higher earners, given the disproportionately higher college attendance and completion rates of children from higher-income families.<sup>5</sup> In this case, providing all college-age students with funds for investment in a college education, vocational training,<sup>6</sup> a business, a home, or something

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<sup>4</sup> Bergmann argues for subsidies for college-bound students from low-income families in “A Swedish-Style Welfare State.” In her remarks to the PBS *Newshour*, she seems to advocate making college free for all.

<sup>5</sup> Alberto Alesina and Francesco Giavazzi, *The Future of Europe: Reform or Decline* (MIT Press, 2006), chapter 5; Kenworthy, *Social Democratic America*, p. 57.

<sup>6</sup> Sweden offers free vocational training as well as university education.

else entirely might well have more egalitarian effects than making college education free for the minority privileged enough to attend.<sup>7</sup>

In the case of early childhood education or daycare, Bergmann, Kenworthy, and many others argue that it should be publicly financed not only because it's a large expense, especially for single-parent families, but also because it is critical for success later on in school and in employment that it be high quality. Bergmann's concerns about a basic income approach to making childcare more available are *financial*, *paternalistic*, and *feminist*—that it wouldn't be high enough to pay for high quality care, or that if it were, parents might spend it on other things instead of high quality care, or that it would induce women to withdraw from the labor market. I have addressed paternalistic and feminist concerns about basic income elsewhere<sup>8</sup> and will not repeat those arguments here, but the budgetary concern bears a closer look. “While a generous Basic Income allowance might be used to pay for childcare,” Bergmann writes, “families with pre-school children who used it that way would be living at a considerably lower standard than other families. Government provision of childcare as a service allows families with pre-schoolers to live at the same standard as those of the same income who do not need to

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<sup>7</sup> A stake worth roughly the cost of a private college education at the time it was written was the idea behind Bruce Ackerman and Anne Alstott, *The Stakeholder Society* (Yale University Press, 1999). Ackerman and Alstott's proposal involved some paternalistic restrictions on the use of the stake, but allowed for purposes other than a college education.

<sup>8</sup> See “Basic Income in the United States: Redefining Citizenship in the Liberal State,” *Review of Social Economy*, 63:4 (December 2005): 633-48; “Institutionalizing the Universal Caretaker Through an Unconditional Basic Income?” *Basic Income Studies*, 3:3 (December 2008), article 7; and “Feminist Political Theory and the Argument for an Unconditional Basic Income,” *Policy and Politics*, 39:1 (January 2011), pp. 27-42.

buy care.”<sup>9</sup> In other words, a two-parent couple (or any family with an additional adult in the household) could choose to use their basic income to pay for childcare or to have one adult forego employment to provide care and use the basic income for other goods, while a single-parent family would have to use their basic income for childcare in order for the adult to be able to work. But this reasoning is flawed. Families with two (or more) adults will always be better off than those with one adult, simply by virtue of having more adult hours available for remunerative employment, for childcare, or for other enhancements to family life. *Universal* childcare cannot mitigate this advantage; only free or subsidized childcare *restricted to single parents* can do that, but such restrictions undermine the solidaristic support required for universal provision (and create the perverse incentive for couples to split up). Sliding contribution scales are a way to target the highest subsidies to those with the lowest incomes, and this is the system in place in Sweden. But that kind of targeting is achievable through a basic income as well, as long as it is universal, individual, and goes to children as well as adults, and as long as other income (and, critically, accumulated income, or wealth) is progressively taxed. A basic income that goes to children as well as adults is essentially equivalent to the children’s allowances Bergmann endorses (though without specifying the amount). Publicly provided childcare might be preferable to basic income for other reasons, but there is little a welfare state based on full employment can do to fully equalize the disposable income of single and two-person families.<sup>10</sup>

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<sup>9</sup> Bergmann, “A Swedish-Style Welfare State,” p. 134.

<sup>10</sup> In fact, Sweden did away with one means to this goal—the so-called “marriage penalty” in income taxation, which effectively taxes the lower-earning spouse’s income

In sum, there are good reasons to challenge Bergmann's and Kenworthy's *public finance* arguments about the prioritization of public provision of merit goods over a basic income, but that is not my focus in this paper. Neither do I make a claim about the superiority of a basic income over a Swedish-style welfare state. Nordic and other European welfare states are very appealing to many Americans.<sup>11</sup> Instead I want, by examining the contours and development of the Swedish Model to consider what might lead to its export beyond its Nordic neighbors, to the rest of Europe or the U.S.

### 3. The Nordic Context

While I focus on Sweden, the paradigmatic example of a comprehensive welfare state, Sweden shares many characteristics with the other Scandinavian, or Nordic states: Denmark, Finland, Norway, and Iceland. The Nordic nations are *consensual democracies*, in which political activity aims to defuse conflict and achieve consensus.<sup>12</sup> The goals of consensus and compromise are facilitated by historical, cultural, and socio-economic features of the Nordic region, including their histories of constitutional monarchy and parliamentary democracy (except for Finland), their lack of serfdom, their late but swift industrialization, their small size,<sup>13</sup> and their overwhelming religious

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at higher marginal rates—precisely to encourage the lower-earning spouse to earn income, rather than stay home and perform unpaid care work.

<sup>11</sup> A good example of this view is in Thomas Geoghegan, *Were You Born on the Wrong Continent? How the European Model Can Help You Get a Life* (New Press, 2010).

<sup>12</sup> Mary Hilson, *The Nordic Model: Scandinavia Since 1945* (Reaktion Books, 2008), chapter 1.

<sup>13</sup> None of the Nordic states has a population larger than 10 million.



homogeneity.<sup>14</sup> Their geographic location between continental Europe and the Soviet Union (excluding Iceland) embodies their search for a “third way” between capitalism and communism, and the confluence of interests between workers and small farmers facilitated the political compromises between these groups and capitalists in the formation of their political economies in the first half of the 20<sup>th</sup> century.<sup>15</sup>

While the Nordic states are now hailed as among the most egalitarian in the world, and credit for this fact is implicitly ascribed to their welfare state institutions and policies, their histories and culture reveal that their welfare states evolved from more egalitarian, less socially fragmented starting points at the beginning of the 20<sup>th</sup> century than either their continental neighbors to the south, including Germany and France, or the U.K. and U.S. further away.

#### **4. The Swedish Model**

The Swedish Model is often characterized as a comprehensive welfare state with a strong commitment to full employment for all its members. While this is accurate, a closer examination demonstrates that the Swedish Model involves more than that, including political and economic policies that might be a harder sell in the U.S. and other nations than higher taxes in exchange for public goods. There are four crucial elements to the Swedish Model, and indeed to any nation’s social protection program, including even those with minimal social provision like the U.S. References to the Swedish Model tend

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<sup>14</sup> At least two-thirds of the population of each of the Nordic nations is Lutheran, and Lutheranism remains the state church in Denmark, Norway, and Iceland. Lutheranism was Sweden’s state religion until 2000. Finland has two state churches, Lutheranism and Finnish Orthodox Christianity, but the latter accounts for only 1% of the population.

<sup>15</sup> Hilson, *Nordic Model*, chapter 1.

to emphasize only two of these elements: *benefit programs*, including public provision of goods and services and cash benefits; and the *tax regime* necessary to finance them.

Equally important not only to the success but to the very existence of the Swedish Model are its system of *market regulation*, and the *cultural and demographic factors* that provide the foundational material of its political and economic institutions and delimit the policy options available to politicians and voters. A closer look at all these factors suggests that if the Swedish welfare state is the goal, a basic income may not only *not* be an obstacle, but a necessary step to its achievement.

#### *4a: Cultural, Historical, and Demographic Factors*

The cultural and religious homogeneity of Sweden (at least prior to the wave of immigration that began in the 1970s), along with its small size, are well known, but it is instructive to explore these demographic markers in detail. Sweden has fewer than 10 million people, only 1.5 million more than my home town of New York City. In comparison, the U.S. has over 300 million people, Canada has 35 million, the U.K., France, Germany, Italy and Spain have between 40 and 90 million, and the European Union as a whole has 500 million. Religious affiliation rates are declining everywhere, but almost 70% of Swedes still identify as Lutheran, and Lutheranism was until 2000 the state church (officially called the Church of Sweden). In contrast, Protestants of all denominations make up only 50% of the U.S. population; Germany has roughly the same numbers of Catholics and Protestants, which each make up about 30% of the population; French Christians, the majority of whom are Catholic, make up only about half of the population; and Canada is 40% Catholic, 16% Protestant. More importantly, at the turn of

the 20<sup>th</sup> century when the foundations of the contemporary Swedish welfare state were laid, Lutheran affiliation in Sweden would have been almost universal.

The state church was founded in the 16<sup>th</sup> century, and the lack of competing denominations during the development of Swedish democracy had significant political and social implications. The unchallenged supremacy of the Lutheran church obviated the need for religiously-aligned political parties, leading to a secularism in its political culture that distinguishes it from some of its larger European neighbors to the south. It also led to a fusion of church and state priorities in line with Lutheran egalitarianism, which is based on the idea of “a priesthood of all believers,” as opposed to a clerical hierarchy, and which could not coexist with large and visible inequalities of wealth and power.<sup>16</sup> In the context of Lutheranism’s emphasis on daily work and the maintenance of order, unemployment is not only a social or economic problem but, in the words of historians Øystein Sørensen and Bo Stråth, “almost a sin.”<sup>17</sup> In other words, it is not only Sweden’s homogeneity, but it’s particularly *Lutheran* homogeneity, that formed the background to the development of its solidaristic and egalitarian welfare state, leading some analysts of Nordic social democracy to go so far as to characterize it as “secularized Lutheranism.”<sup>18</sup>

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<sup>16</sup> Dag Thorkildsen, “Religious Identity and Nordic Identity,” in Øystein Sørensen and Bo Stråth, eds., *The Cultural Construction of Norden* (Scandinavian University Press, 1997), pp. 138-60.

<sup>17</sup> Sørensen and Stråth, eds., *Cultural Construction of Norden*, “Introduction,” p. 13.

<sup>18</sup> Uffe Østergård, “The Geopolitics of Nordic Identity,” in Sørensen and Stråth, eds., *Cultural Construction of Norden*, pp. 25-71 at 69. See also Sørensen and Stråth, “Introduction.”

On the political front, Sweden enjoyed a relatively peaceful transition from absolute monarchy to democracy, in contrast to France, Germany, the U.K., and the U.S. Aristocratic privileges in 19<sup>th</sup> century Sweden were focused on access to civil service positions—positions in service to the nation—rather than on large landholdings.<sup>19</sup> Sweden’s agricultural sector was made up of a mix of large and small farmers, rather than serfs and lords, and its freeholding peasants form the core of the mythical Swedish *folk*—the idealization of the common man in Swedish society that played a large part in the development of Swedish social democracy.<sup>20</sup> Peasants enjoyed representation in the *Diet* from the 15<sup>th</sup> century until estate-based representation was replaced in the 19<sup>th</sup> century by electoral representation.<sup>21</sup> This history has two important legacies. First, the existence of a large and politically recognized agricultural sector balanced the voice of labor in the industrial sector that developed in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, causing the government to develop benefit programs in a universal, rather than strictly laborist fashion.<sup>22</sup> For example, as pensions for the elderly were debated in the first decades of the 20<sup>th</sup> century, the coalition between agrarian and proletariat parties led to the rejection

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<sup>19</sup> Dimitris Tsarouhas, *Social Democracy in Sweden: The Threat from a Globalized World* (Tauris Academic Studies, 2008), chapter 2.

<sup>20</sup> Sheri Berman, *The Primacy of Politics: Social Democracy and the Making of Europe’s Twentieth Century* (Cambridge University Press, 2006), chapter 7; Tsarouhas, *Social Democracy in Sweden*, p. 49; Sørensen and Stråth, “Introduction.”

<sup>21</sup> Sørensen and Stråth, “Introduction”; Franz-Xaver Kaufmann, *Variations of the Welfare State: Great Britain, Sweden, France and Germany Between Capitalism and Socialism*, trans. Thomas Dunlap (Springer, 2013), pp. 115-17.

<sup>22</sup> Björn Gustafsson, “The Swedish Model in the Era of Integration and Globalisation,” in Lilia Costabile, ed., *Institutions for Social Well-Being: Alternatives for Europe* (Palgrave Macmillan, 2008), pp. 176-97.

of the Bismarckian worker-centric pension model in favor of one that covered the entire population.<sup>23</sup> Second, the state's own reformist tendencies obviated the need for revolutionary struggle against the state, fostering the country's consensualist political tradition.<sup>24</sup>

Political scientist Lars Trägård calls Sweden an "associative democracy" because of its tradition of using local parish councils and stakeholder input to study and come to consensus on social and economic matters.<sup>25</sup> For example, from the late 19<sup>th</sup> century on, local labor exchanges were run jointly by unions, employers, and local officials, and government commissions made up of different stakeholders continue to play a large role in Swedish policy making.<sup>26</sup> This characterization should not obscure the political and economic unrest faced by Sweden in the late 19<sup>th</sup> and early 20<sup>th</sup> centuries. Despite (or because of) a strong union movement linked with the birth of the Social Democratic Party (the *Sveriges Arbetarparti*, or SAP) in 1889, Sweden suffered from significant labor

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<sup>23</sup> Kaufmann, *Variations of the Welfare State*, pp. 126-29. The pension system was initially designed to be financed by contributions, rather than taxes, but it evolved into a generous tax-financed, universal basic pension with an income-based supplement in the interwar and post-WWII period. *Ibid.*, pp. 129-31.

<sup>24</sup> Lars Trägård, "Statist Individualism: On the Culturality of the Nordic Welfare State," in Sørensen and Stråth, eds., *Cultural Construction of Norden*, pp. 253-85.

<sup>25</sup> Lars Trägård, "Democratic Governance and the Creation of Social Capital in Sweden: The Discreet Charm of Governmental Commissions," in Trägård, ed., *State and Civil Society in Northern Europe: The Swedish Model Reconsidered* (Berghahn Books, 2007), pp. 254-70.

<sup>26</sup> Bo Rothstein and Lars Trägård, "The State and Civil Society in a Historical Perspective: The Swedish Case," in Trägård, ed., *State and Civil Society in Northern Europe*, pp. 229-53; and Trägård, "Democratic Governance and Social Capital in Sweden."

unrest and became known as the “strike capital” of the Western world.<sup>27</sup> Nevertheless, its Lutheran orientation toward work, its generally benign state apparatus, and its small scale—which facilitated the development in 1898 of the federation of unions called the *Landsorganisationen* (LO), followed four years later by the federation of employers, the *Svenska Arbetsgivareföreningen* (SAF)—set Sweden on a particular path of compromise, moderation, and consensus that dominated Swedish politics for three quarters of a century. In Rothstein and Trägård’s words,

To speak in the language of contemporary historical institutionalism, a series of relatively small and contingent events, occurring at a very early point in the process of modernization and democratization, produced large consequences. The success of early democratic neocorporatism set Sweden on a particular path of institution making when it came to state-civil society relations. Subsequent successes produced, in Paul Pierson’s language, “increasing returns,” further strengthening these institutional arrangements.<sup>28</sup>

#### *4b: Market Regulation*

The story of Sweden’s high levels of unionization and the political dominance of SAP are often told, suggesting that a strong labor movement and a successful and sympathetic political party are the keys to the Swedish Model, but this narrative omits the critical part played by Sweden’s distinctive system of *market regulation* in the development of the Swedish model. Several milestones in the development of the Swedish system of market regulation are worth recounting.

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<sup>27</sup> Berman, *The Social Democratic Moment: Ideas and Politics in the Making of Interwar Europe* (Harvard University Press, 1998), p. 43; Michele Micheletti, *Civil Society and State Relations in Sweden* (Ashgate, 1995), pp. 46-49.

<sup>28</sup> Rothstein and Trägård, “State and Civil Society in Historical Perspective,” p. 249.

The existence of the labor and employers' federations, along with a pragmatic, rather than ideologically rigid workers' party in SAP—which would begin an unparalleled 40-year period in government in the 1930s—set the stage for the broad-based coordination of economic policy that became the defining feature of the Swedish Model in the first half of the 20<sup>th</sup> century. LO's close relationship with SAP, along with SAP's strategic decision to broaden its identity from a workers' party to a people's party, strengthened the hand of the labor movement in its negotiations with employers—to a point. Nevertheless, the early years of the 20<sup>th</sup> century saw a high level of labor strife. In the 1906 “December Compromise,” LO and SAF came to the first of a series of landmark agreements, with LO recognizing employers' rights to run their companies in exchange for the unions' rights to organize and bargain collectively.<sup>29</sup> This negotiation signaled a disagreement between LO and SAF—over labor's part in the management of firms—that was to re-emerge more than once in the following decades.

Nineteen-thirties Sweden saw the highest level of labor unrest of any nation,<sup>30</sup> and attempts by the government to intervene. Instead, LO and SAF agreed to negotiate wages and work conditions independently of the government. Named for the town in which it was negotiated, the *Saltsjöbaden Agreement* of 1938 began a period of bilateral negotiation between labor and capital that was to last until the 1970s. The agreement contained the seeds of the centralized bargaining between unions and employers that was

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<sup>29</sup> Tsarouhas, *Social Democracy in Sweden*, p. 43.

<sup>30</sup> Guy Standing, *Unemployment and labour market flexibility: Sweden* (Geneva: ILO, 1988).

to come in the 1950s.<sup>31</sup> But it also represented the failure of LO's efforts, for a second time, to win German-style labor representation in firm management.<sup>32</sup>

The Saltsjöbaden Agreement was followed in 1944 by the SAP-led government's expressed commitment to promoting full employment, defined as frictional unemployment of only 2%. This was to be achieved by stimulating private investment, socializing consumption, and an active labor market policy—helping workers to transition from failing to rising industries and firms.<sup>33</sup> Then in 1951 came the development of the *Rehn-Meidner model*, developed by two LO economists. The Rehn-Meidner model addressed the dilemma of how to achieve full-employment without creating unmanageable inflation, which neither labor nor capital wanted. The solution to this dilemma was a negotiated compression of the wage scale, with equal pay for equal work set at a high level, regardless of the profitability of the individual firm. This *solidaristic wage policy* moderated wage differentials and wage increases, reducing financial incentives for workers to jump from firm to firm in search of higher wages. Wage compression hastened structural adjustment by forcing unproductive firms that could not afford the effective minimum wage out of business. The model also endorsed the government's adoption of an active labor market policy to retrain and redeploy

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<sup>31</sup> Peter Högfeldt, "The History and Politics of Corporate Ownership in Sweden," in Randall K. Morck, ed., *A History of Corporate Governance around the World: Family Business Groups to Professional Managers* (University of Chicago Press, 2005), pp. 517-80 at 541.

<sup>32</sup> Tsarouhas, *Social Democracy in Sweden*, p. 54. Political scientist Michele Micheletti calls it the beginning of the "labor market cold war" that lasted until détente collapsed in the 1970s. Micheletti, *Civil Society and State Relations in Sweden*, p. 63.

<sup>33</sup> Standing, *Unemployment and labour market flexibility*, p. 3.



workers from failing firms, and from regions with few jobs to the cities where jobs were available.<sup>34</sup> The Rehn-Meidner model set the stage for the SAF's invitation to LO to begin centralized labor negotiations at the industry, rather than firm level, in 1952.

The Rehn-Meidner model sought to manage the labor market in favor of high, stable wages for its members, while sacrificing potentially larger gains for some workers in the interests of the stability of the entire system. Is such a strategy the cause or the effect of social solidarity? It is likely to have been both—possible because of the shared interests of mostly male industrial workers in the “Golden Age” of strong, post-war growth, and reinforcing of their solidarity as long as it was seen as contributing to continued growth. It is important to note as well, however, that the Rehn-Meidner model once again signaled labor's acquiescence, at least for the time being, in a capitalist economy with a high concentration of private ownership of capital.<sup>35</sup>

As we'll see below, the unresolved tension underlying these agreements remained submerged only until the 1970s, when cultural, demographic, and economic changes undermined the conditions that made them possible. But first, it's instructive to compare the timeline of the development of the benefit programs we think of as central to the Swedish Model to that of the system of labor market regulation that is sometimes left out of references to the model.

#### *4c. Development of the Swedish Welfare State*

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<sup>34</sup> The Labor Market Board, the *Arbetsmarknadsstyrelsen*, or AMS, was apparently nicknamed *Alla Måste Söderut*—“everyone must go south”—reflecting its mandate of encouraging labor mobility to achieve full employment. Hilson, *Nordic Model*, p. 70.

<sup>35</sup> Tsarouhas, *Social Democracy in Sweden*, p. 62. The Rehn-Meidner model included stimulation of public savings and direct public investment, along with a liberal trade policy, in addition to the policies noted above. Hilson, *Nordic Model*., chapter 2.

This remarkable set of agreements on labor market regulation between employers, labor, and the government coincided with the development of the welfare state programs characteristic of the Swedish Model. Need-based pensions, which covered both industrial and agricultural workers, were introduced in 1913, along with an additional phased-in system of contributory benefits. This system evolved into the universal, flat “people’s pension” after WWII, in 1946.<sup>36</sup> The next phase of development was around family policy to raise the birth rate, including marriage loans and maternity relief in 1947 and universal child benefits in 1948. Universal health insurance was introduced in 1955, and medical care was largely socialized in 1968. Existing pension benefits were increased in 1960 and 1963, securing a pension of 60% of average income during the 15 highest earning years for those who had worked for at least 30 years. The “million homes” program of the 1960s was established in 1965 to address the shortage of decent housing in Swedish cities and to reduce the costs of labor mobility. Maternity benefits were introduced in 1962, were later extended to fathers as well, and were increased again in the 1970s, and state-subsidized childcare, first established in the 1960s, was greatly expanded in the 1970s. Together with the switch from joint to individual taxation of couples in 1971, Sweden’s generous parental benefits—available only to those who are employed—has given it one of the highest female labor participation rates in the world.<sup>37</sup>

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<sup>36</sup> Tsarouhas, *Social Democracy in Sweden*, pp. 51-52; Kaufmann, *Variations of the Welfare State*, pp. 128-29.

<sup>37</sup> Sweden’s labor force participation rate for women 15-64 was 78% in 2012. Only Iceland’s rate (83% in 2012) is consistently higher than Sweden’s. The 2012 rate for U.S. women is 68%. Labor force participation rates from the OECD.

Prior to WWII, unemployment benefits were financed and administered by the unions, but state subsidies to the plans began in the 1930s, and grew rapidly after the war. In 1974, employers were required to contribute, and in 1979 the system was extended to all workers, financed by payroll taxes and administered by the unions. (Of course, unemployment insurance takes a backseat in a country committed to full employment and to the active labor market policies required to achieve it, including mobility subsidies, retraining programs, and measures to promote the inclusion of the disabled in employment.) The 1970s also saw the expansion of public sector employment in Sweden, which coincided with the entry of women into the employment sector in large numbers; public sector employment accounted for almost 40% of Swedish women's labor participation in 1970,<sup>38</sup> reached a high of about 60%, and now, after a period of budget cuts, accounts for just under 50%.<sup>39</sup> As a result of its active labor market policies and large public sector, Sweden has among the highest labor force participation rates in the developed world.<sup>40</sup>

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<sup>38</sup> Robert J. Flanagan, "Efficiency and Equality in Swedish Labor Markets," in Barry P. Bosworth and Alice M. Rivlin, eds., *The Swedish Economy* (Washington, D.C.: Brookings Institution, 1987), pp. 125-84, at 128.

<sup>39</sup> Statistics Sweden, *Women and Men in Sweden: Facts and Figures 2012*, p. 59. Public sector employment accounts for about 20% of men's labor market participation. Women dominate (with over 80% of the positions) in the caring professions, schooling, and secretarial work. Sweden's high level of occupational segregation along gender lines suggests a qualification of its reputation as a strongly gender egalitarian nation. See Margarita Estévez-Abe, "Gendering the Varieties of Capitalism: A Study of Occupational Segregation by Sex in Advanced Industrial Societies," *World Politics* 59 (October 2006), pp. 142-75, for a discussion of occupational segregation in Scandinavian countries with gender-egalitarian norms and high female labor-force participation rates.

<sup>40</sup> Sweden's labor force participation rate for those aged 15-64 is currently about 80%, compared to 73% in the U.S. Labor force participation data from the OECD.

To summarize, prior to WWII, the Swedish welfare state included only need-based pensions and the start of contributions toward contributory pensions, and union-run unemployment insurance. At that time, it was closer to a *social insurance* and *residualist social assistance* model than to the more *universalistic model* it developed into in the prosperous post-war period.<sup>41</sup> Immediately after the war, universal health care, pensions, and children's allowances were implemented, followed by active labor market policies in the 1950s and 1960s to support the three-way consensus by labor, capital, and the government to pursue full employment while moderating inflationary pressures through a solidaristic wage policy. Public day care and parental leave policies, first implemented in the 1960s, expanded in the 1970s, and together with the shift in tax policy encouraged women to enter the work force in large numbers, leading to Sweden's reputation as a highly *gender-egalitarian universalist* welfare state.

## **5. Challenges to the Swedish Model**

The 1970s brought a number of challenges to the Swedish political economy. Some disruptions were felt by other advanced economies, including the oil shocks, women's increasing demands for equality and economic opportunity, and the transition to a post-industrial economy. Some of the most important challenges to the Swedish model were internal, however. LO—a male-dominated, blue-collar union federation—reacted to the economic disruptions by shifting from a strategy of *labor market security*, in which employment, but not particular jobs, is protected, to one of *employment security*, in which employees were protected from losing the jobs they held. In the face of the decreasing importance of manufacturing to the economy, LO abandoned its former commitment to

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<sup>41</sup> Hilson, *Nordic Model*, chapter 3.

equal pay for equal work in favor of a more general commitment to equality of wages, a less tenable goal in a post-industrial economy characterized by increasing automation, a growing public sector, and the rise of the knowledge worker. In addition, the government retreated from its post-war policy of allowing structural adjustment to occur on its own and adopted a more interventionist economic policy, subsidizing failing firms in the hopes of having them emerge from what were viewed as cyclical downturns.<sup>42</sup>

Finally, both LO and their SAP allies abandoned their agreement with employers to leave labor market regulation to negotiations between unions and employers, legislating regulations to make employment more secure. Legislation enacted in the 1970s created seniority protections and made it much harder to dismiss employees, and mandated the board representation and input into work rules LO had long sought for the unions (though management remained in control of firm decisions).<sup>43</sup> In 1976, LO sought legislation to create “Wage Earner Funds” designed to capture some of the profits earned by the most profitable firms, which benefited from LO’s imposition of wage restraint on their workers. The plan was to transfer a portion of firm profits to the collective ownership of firm employees up to a small majority—52%—of shares over time. The attempted legislation of Wage Earner Funds was seen by SAF as a violation of the agreement to negotiate independently of government, not to mention of the underlying bargain around a form of regulated capitalism, rather than socialism.<sup>44</sup> Furthermore, the

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<sup>42</sup> Standing, *Unemployment and labour market flexibility*; Hilson, *Nordic Model*, chapter 2.

<sup>43</sup> Högfeldt, “Corporate Ownership in Sweden,” pp. 545, 552.

<sup>44</sup> Standing, pp. 139-44; Rudolf Meidner, “Why Did the Swedish Model Fail?” *Socialist Register 1993: Real Problems, False Solutions*, vol. 29.

plan failed to generate widespread popular support since it was limited to industrial workers in the most competitive firms.<sup>45</sup> SAF withdrew from centralized bargaining in 1983.

This breakdown in the system of market regulation can be attributed to strategic missteps by LO and SAP, or to secular changes in global economic conditions over which the Swedes had little control, but they expose the underlying instability of the bargain made between labor, capital, and government in the earlier decades of the 20<sup>th</sup> century. As LO Economist Rufolf Meidner, one of the architects of the Rehn-Meidner model, notes, the solidaristic wage policy was unable to meet the challenges of the post-industrial economy, as LO failed to maintain consensus around wage differentials for different kinds of work.<sup>46</sup> In addition, the halo around the Swedish model obscures the opposition of employers during its development. Throughout the 20<sup>th</sup> century, Swedish employers resisted many of the moves to make the welfare state universalistic, rather than status-specific. While employers were defeated in the post-war industrial “Golden Age,” when Sweden and the rest of Europe reaped the benefits of peace and reconstruction in the form of robust economies, LO and the SAP leadership of the 1970s (when Olof Palme

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<sup>45</sup> Tsarouhas, *Social Democracy in Sweden*, pp. 78-80. According to Standing, *Unemployment and labour market flexibility*, pp. 139-44, a broader social dividend was considered and rejected during the period of discussion about Wage Earner Funds, but I have found no other discussion of a possible social dividend, or basic income, in my research.

<sup>46</sup> Meidner, “Why Did the Swedish Model Fail?” TCO (*Tjänstemännens Centralorganisation*), the professional employee’s union confederation, never participated in centralized bargaining at all, and the expansion of the public sector in the 1970s and 1980s increasingly made government, rather than LO and SAF, the effective wage setter in the labor market as a whole.

was prime minister) seem to have underestimated the opposition by owners of capital to their ultimate goal of not only *political* and *social democracy*, but *economic democracy* as well.<sup>47</sup>

According to economist Peter Högfeltdt, SAP's longstanding bargain with Sweden's capitalists was predicated not only on maintaining capitalist control of Swedish industry, but on maintaining a particularly concentrated form of ownership that brought stability and predictability to the Swedish economy. Throughout the 20<sup>th</sup> century, SAP policies in banking and taxation reinforced capital concentration among a small group of owners and a stable group of large, export-oriented "national champions," as opposed to encouraging broad distribution of capital and disruptive entrepreneurship.<sup>48</sup> According to political scientist Michele Micheletti, the period of cooperation between LO and SAF rested on their agreement on shared means of full employment, low inflation, and economic restructuring in support of divergent goals—of promoting high standards of living for workers, in LO's case, and of promoting international competitiveness, for SAF. When changing economic circumstances called for different means, their underlying differences came to the fore.<sup>49</sup>

Full employment remains a goal of Swedish economic policy, and work incentives remain strong given the high tax rates that reduce take-home pay, but protective employment regulations make shirking and absenteeism a problem for employers under the strong job protections that remain in force. Full employment has

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<sup>47</sup> Högfeltdt, "Corporate Ownership in Sweden," p. 546.

<sup>48</sup> *Ibid.*, p. 542.

<sup>49</sup> Micheletti, *Civil Society and State Relations in Sweden*, p. 65.

proved elusive since the 1970s, and has given way to increasing labor market segmentation between those with full-time work and part-time workers who want more hours, and between those in protected jobs and those in active labor market programs.<sup>50</sup> Young adults, immigrants, and older workers are increasingly relegated to training programs and involuntary early retirement, artificially lowering the official unemployment rate—currently 8%—according to skeptics. In one sense, of course, active labor market programs reflect the continuing commitment of the government and society to the goal of full employment, but they look increasingly like substitutes for jobs, rather than transitions to them.

Full employment is critical to the Swedish Model for two reasons. The high cost of the welfare state requires high taxes to finance it—taxes that come predominantly from income taxes, rather than other sources, like corporate taxes. This tax structure requires a broad base of workers, particularly with the aging population Sweden shares with its European neighbors. Second, the social solidarity underlying the universalism of the welfare state is inextricable from the full participation of Swedes in making the welfare state possible. A strong norm of reciprocity is the foundation of the model, and it's difficult to see how the universalistic welfare state—already under retrenchment in the face of a less robust economy—survives without it. Sweden's welfare state has in the last 20 years has moved in the direction of stricter guidelines for eligibility and lower income replacement rates—away, that is, from the welfare state's "equality of the highest

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<sup>50</sup> Gustafsson, "The Swedish Model in the Era of Integration and Globalisation."



standards,” in Esping-Andersen’s words,<sup>51</sup> and toward more modest benefits and small steps toward privatization in schools, pension funds, and healthcare—including school vouchers and partial privatization of the government pension system, which even George W. Bush failed to enact in the U.S.

The Swedish Model in its heyday combined the goals of full employment, economic growth, and social and economic equality. The model was supported by cultural and historical factors unique to Sweden and its Nordic neighbors, including their small size, Lutheran homogeneity, and the trajectories of their industrialization processes, but it was achieved through the ability and willingness of its major economic and political groups to compromise and create a consensus for socialization of income and consumption, concentration of private ownership of capital, regulation of markets, stability, and the sublimation of individual economic ambition for the greater good. The Swedish Model has proven adaptable, with elements of the bargain reassessed and revised as economic circumstances warrant. The question is how much adaptation in the direction of a more liberal welfare regime the Swedish Model can absorb while retaining its universalistic distinction.

## **6. Lessons from Sweden**

I began this essay by suggesting that the Swedish Model included more than just the generous and universalistic benefit programs and the high taxes that pay for them. As described above, the background conditions of the model that emerged in 20<sup>th</sup> century Sweden include a small, homogeneously Lutheran population; a largely independent and

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<sup>51</sup> Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Princeton University Press, 1990), p. 27.

politically respected agricultural sector; a consensualist political tradition built on a reformist, rather than revolutionary, evolution to democracy; a parliamentary form of government; and high levels of unionization. But what is the Swedish Model itself? According to LO economist Rudolf Meidner, the model includes the active labor market policy designed to ensure full employment; the solidaristic wage policy; and negotiations on labor regulations and compensation between employers and unions independent of government.<sup>52</sup> Nordic historian Mary Hilson adds stimulation of public savings and direct public investment, and a liberal trade policy and toleration of extensive private ownership, but leaves out Meidner's bilateral negotiations between employers and unions.<sup>53</sup> Political scientist Jonas Pontusson also omits Meidner's bilateral negotiations and Hilson's investment and trade policy, and adds universalism in social insurance schemes, direct public provision of social services, policies to promote women's employment and gender equity in the workplace, and high investment in public education and policies to equalize educational opportunity.<sup>54</sup> My own exploration of the Swedish Model suggests the following as critical elements:

- Unified and cohesive labor, capital, and political actors
- Consensus on the balance between capitalism and socialism
- Consensus on the goals of universalism, inclusion, and global competitiveness
- Consensus on the means of full employment, high taxes, and investment in national champions
- Enough social solidarity and universalism in benefits to make most stakeholders feel the burdens of sacrifice and the benefits of compromise relatively equally.

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<sup>52</sup> Meidner, "Why Did the Swedish Model Fail?"

<sup>53</sup> Hilson, *Nordic Model*, chapter 3.

<sup>54</sup> Jonas Pontusson, "Once Again a Model: Nordic Social Democracy in a Globalized World," in James Cronin, George Ross, and James Shoch, eds., *What's Left of the Left?* (Duke University Press, 2011), pp. 89-115.

For a political theorist, the emphasis on consensus in the Swedish Model evokes nothing so much as the social contract of Jean-Jacques Rousseau. As Lars Trägård notes, Scandinavian political culture is *democratic*, not *liberal*—marked by centralized power, uniformity, and an inclusive, participatory democracy through which the “general will” can be uncovered and implemented. The Swedish citizen is, he argues, “perfectly independent of all his fellow citizens and excessively dependent on the republic.”<sup>55</sup> Historian Henrik Stenius characterizes the Nordic form of democracy similarly, not as a balancing of opposing interests, but as a quest to express the true interests of the people, and founded on the belief that “a people is happy when it can pass laws on its own and then make a commitment to obey them.”<sup>56</sup> This Rousseauian characterization of Nordic political culture suggests the limits of its applicability as a model for emulation elsewhere. As Stenius further notes, “In Southern Europe”—and, one might add, the U.S.—“the concept of citizenship meant that each individual had the same relation to the state *despite* the diversity in their ethnicity and social standing. In the Nordic countries, individuals were citizens *because* people were similar to each other socially, ethnically, and religiously.”<sup>57</sup>

Perhaps, then, it should come as no surprise that the Swedish Model has not been widely emulated in Europe. In fact, since the 1990s, Sweden’s welfare state has, while

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<sup>55</sup> Lars Trägård, “Statist Individualism,” at 261.

<sup>56</sup> Henrik Stenius, “The Good Life Is a Life of Conformity: The Impact of the Lutheran Tradition on Nordic Political Culture,” in Sørensen and Stråth, eds., *Cultural Construction of Norden*, pp. 161-71, at 170.

<sup>57</sup> *Ibid.*, p. 167.

maintaining the core commitments to full employment, active labor market policies, universal health care, pensions, and childcare, moved more in the direction of reducing benefits than Europe has moved toward embracing the Swedish Model.

Is it possible to pick and choose elements of the Swedish Model without trying to transplant the whole package? Certainly, other European nations with larger and more diverse populations than the Nordic nations have managed to provide universal healthcare and education, child allowances, and good public infrastructure to their citizens without the other aspects of the Swedish Model. Few have universal childcare, though, a crucial factor in Sweden's high female labor force participation rate, both on the supply side (making work possible for mothers) and the demand side (making jobs available for women). In other words, while the level of social provision in Europe may be uniformly higher than it is in the U.S., the particular mix of merit goods, labor policies, and market regulations reflect cultural and national differences in priorities, strategies, and goals, and add up to different packages of benefits in each nation.

Since the publication of Thomas Piketty's *Capitalism in the Twenty-First Century*,<sup>58</sup> it's hard to escape the sense that all employment-based welfare states are as exceptional as the Swedish welfare state. As his data suggests, their development coincided with an extraordinary period in economic history during which economic returns from capital were at historic lows and economic returns to employment were at historic highs. While the Swedish welfare state succeeded in socializing employment income through its full employment and solidaristic wage policies and socializing consumption through its provision of public goods, it did little better than other European

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<sup>58</sup> Thomas Piketty, *Capitalism in the Twenty-First Century* (Harvard University Press, 2014).

states at durably socializing capital,<sup>59</sup> and indeed seems to have deliberately chosen *not* to socialize capital. If we are now in a period of declining returns to employment and increasing returns to capital, as Piketty suggests, the Swedish Model, however attainable it might or might not be by other nations or regions, may have outlived its usefulness as a model for other nations to emulate.<sup>60</sup>

## **7. Lessons for the U.S.**

It goes without saying that the adoption of a Swedish-style welfare state would herald a marked improvement in the lives of millions of Americans who live in poverty, who face repeated, and now extended bouts of unemployment, who remain uninsured despite the ACA, and who struggle to find and afford the childcare that would make holding on to low-wage jobs easier. The questions I want to ask are whether it is plausible to expect the adoption of that kind of welfare state in the U.S., and whether, given that we're in the realm of fairly utopian thinking anyway, we might be more ambitious.

To the first question, it is clear that the U.S. has a very different cultural, historical, and political context than Sweden: a population 30 times its size; racial, ethnic, and religious diversity far beyond that in Sweden; a federalist, presidential political structure designed by our founders to foster competition, rather than a centralized, parliamentary government designed to foster compromise; less trust in government and collective action, and more faith in individual initiative and achievement due to our

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<sup>59</sup> *Ibid.*, pp. 344-47. Sweden, like Britain and France, saw a decline in the rate of inequality of wealth in the 60 years between 1910 and 1970, but it has been rising in all in Britain and Sweden since the 1980s, and in France since the 1990s.

<sup>60</sup> In a telling coincidence, Thomas Piketty was scheduled to address a LO conference in Sweden the day after this presentation was made to the BIEN congress.

revolutionary history and to waves of immigration of groups persecuted and marginalized by their former governments; and the pernicious legacy of slavery. Slavery's legacy is multifaceted, and has not only marked African-Americans for continuing violence, theft, disenfranchisement, and discrimination, but contributed to the development of American political and economic institutions in ways that make the expansion of the welfare state much more difficult than in European nations. Not only did the institution of slavery create an early and enduring division between the economies of the northern and southern states, it was only dismantled through a brutal and devastating civil war, the outcome of which, it is fair to say, has not been fully accepted by the losing side. The argument that reciprocity is a strong value in the U.S. can only be made in willful disregard of the continuing economic and political subjugation of African-Americans (not to mention the immigrants from Latin America who are the foundation of our agricultural sector) 150 years after the end of slavery.

Even setting aside the question of race in theory—impossible as it would be in practice—the forms of consensus around economic issues that underlie the Swedish Model are, quite simply, entirely absent in the U.S. Instead of a consensus around egalitarianism and a regulated market, our founding mythology centers on a natural aristocracy of merit, free markets, and negative liberty, rather than Rousseauian positive liberty. We never had anywhere near the degree of unionization in the U.S. that Sweden enjoyed,<sup>61</sup> nor do we have the stable concentration of capital ownership that Sweden has,

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<sup>61</sup> Union membership in the U.S. peaked at 35% of non-agricultural employees in the 1940s, and currently stands at about 11%. Gerald Mayer, *Union Membership Trends in the United States* (Washington, D.C.: Congressional Research Service, 2004). In contrast, Sweden had a level of union membership of almost 50% in 1907, and the rate peaked at

or the parliamentary political system that would foster the creation and durability of a consensus around these important issues.

When we examine the welfare state the U.S. *was* able to institutionalize in the 20<sup>th</sup> century, we can compare the nation's success at providing universalistic benefits through public provision and through cash. The benefits we provide in kind—public primary and secondary schooling, and low-income housing—were deliberately segregated by race at the outset, and remain largely segregated today, despite the outlawing of outright racial segregation, through economic and residential segregation. In addition, the ACA's expansion of federally-funded, but state-implemented health care for low-income Americans—Medicaid—continues to be resisted by 21 states—including most of the states in the old slaveholding south that continue to have large African-American populations. Welfare state institutions in the U.S. that are administered by the states are often administered in discriminatory and unequal ways. Could we expect public provision of childcare to be any different?

If, on the other hand, we look at cash benefits, we see that in the case of Social Security, our federally-implemented contributory old-age pension, African-Americans were excluded from participation through limitations on the employment covered by the Social Security Act of 1935. At the time, African-Americans were disproportionately employed in agriculture and domestic employment, and those two industries were excluded as part of the compromise with southern Senators necessary for the act's passage. By 1954, however, the Act had been amended to include those two industries—partly to expand the base of contributors to pay for the pay-as-you-go benefits—with the

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over 80% in the 1990s. Tsarouhas, *Social Democracy in Sweden*, pp. 40-41; Hilson, *Nordic Model*, table 5.

result that African-Americans are now included in Social Security on exactly the same terms as white Americans. In the words of political scientist Robert C. Lieberman, it was ironic that “the exclusionary Old-Age Insurance program of 1935 became, by the 1960s, perhaps the closest thing to a race-blind social program the United States has ever known.”<sup>62</sup>

While we lose a sense of solidarity due to our large size, our diverse population, and our federal political system, the example of Social Security shows that when a universalistic, national cash transfer program is enacted, it can overcome our legacy of racial discrimination to generate an egalitarian program with political durability unmatched, apparently, even by elements of the universalistic Swedish welfare state.<sup>63</sup> And in a country with an enduring legacy of racism, federally-administered cash benefits are likely to be administered in a more egalitarian way than direct public provision. It would be more disruptive to this enduring system of racial and economic segregation to provide lower income Americans (a disproportionate number of whom are African-Americans and Latinos) with the means to move to schools, cities, and industries through which they can escape the ghettos to which their reliance on public housing and local benefits confines them.

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<sup>62</sup> Robert C. Lieberman, *Shifting the Color Line: Race and the American Welfare State* (Harvard University Press, 1998), p. 67. Social Security is also a progressive program, paying higher benefits to lower income recipients than to higher income recipients, in relation to contributions paid over their work lives.

<sup>63</sup> Our Congressional committee system has also, for reasons I won't go into here, made tax-based redistribution more politically feasible than new social programs. See Christopher Howard, *The Hidden Welfare State: Tax Expenditures and Social Policy in the United States* (Princeton University Press, 1997), p. 180.



To move on to the second question, an advantage the U.S. has over Sweden is that, like countries that skipped laying copper phone lines and went straight to cell phones, the U.S. can go straight to the problem of capital concentration without going through the step of setting up a comprehensive employment-based welfare state. Piketty's data makes it clear that economic inequality can only be meaningfully reduced through redistribution of income, capital, and bequests, and not through redistribution of income from employment and provision of public goods alone. True and enduring economic equality will require the redistribution of capital as well, requiring either its socialization through public ownership, or through a system of universal dividends. A universal, unconditional, and individual basic income is not the only way to achieve this goal, but in the American context, with our particular social, political, and economic context and our preference for market-based solutions, it is the likelier way.