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CAN THE WELFARE STATE BE THE FUTURE OF THE GLOBAL ECONOMY?

Review
Article

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Abstract

Welfare states are results of the dysfunctionality of markets. The relationship between a state and a market can decide the size and the range of a welfare state. For political and institutional economists this is a quite interesting topic, in terms of differences between economic and political institutions across the world. Starting from the Bismarckian policies, welfare states are providing people with economic development and prosperity. It took time, nearly a century, to apply all of the components of welfare states to the global economy, but in the end, it gave the fruits. Likewise, recent surveys show that these components are attractive for Europeans, for example, universal access to education, healthcare, social security, and others. Even if there are numerous theories about the retrenchment of a welfare state, on the contrary, it continues to increase and expand the range. However, will it maintain the development in the future? With the Swedish case, it can be shown that, even if this question still needs much more time and investigation, one aspect is clear: a welfare state is on a solid basement and it will continue to grow.

INTRODUCTION

The welfare state is a governing system where a state plays an important role, to provide economic prosperity, security to the citizens, based on the concept of equality. Citizens enjoy benefits from welfare services, for example, education, healthcare, support for the needy, social security. Which policies should be chosen to achieve economic development? Should governments intervene during market failures or not? Can national differences affect the size of a welfare state?

In this context, not only political and economic elements but also cultural background should be taken into account. One of the common mistakes of policymakers is excluding the important factors, which indicates numerous objects from a contextual point of view. Together with formal institutions, informal institutions can help to maintain stability and protect social equilibrium.

One of the top-debated injustices of laissez-faire capitalism is to see the needy as objects of mercy and to leave them to their own devices, and various welfare state researchers note that only government intervention can prevent it. It is clear that the government intervention problem is crucial for debates: it can be one of the main obstacles to market activity. However, it cannot be consequential to define a welfare state as a mix of tools for intervention, but also a system of social order.

Recent research of some economists, for instance, Bergh A. clearly defines the idea that communities in which some institutions, for example, property rights and open economy, together with welfare state policies, labor unions, non-corrupt state sector create a proportional equal distribution of economic growth (Bergh, 2013). Moreover, intensive government intervention can cause problems in the way of developing free-market tools. In this context, the lessons can be taken from Sweden's long way to success. The welfare state and market economy should play different roles, not hindering each other, furthermore, working together and creating prosperity for the whole system. Sweden was an undeveloped country, and then it became one of the most flourishing economies in the world. To investigate this process complex analysis should be done. Moreover, investigating a historical way to the state of culmination can give some suggestions about globalization's effect on the welfare state, and comparing different theories, relevant hypotheses can be formulated.

Some critics of welfare states often mention negative effects, for instance, less motivation, less responsibility. "However, their aim had tended to be the unintended, ignored consequences of public action. Any general view of social policy as a strategic action in relation to other actors has

usually been absent" (Therborn, 1987). To get logical results, the starting point can be a differentiating state of welfare from others. Decommmodification can be vital in this context. Esping-Andersen (1990) explains that it is a situation in which, people without fear of possible job loss, and profit, are able to resign because of appropriate reasons. In these terms, Nordic economies are more decommodifying than others are. People with high income, paying high taxes can prevent people with low income from losing their jobs. Nordic countries' economic growth and prosperity also brought this topic into consideration.

ORIGINS AND HISTORICAL PATTERNS OF WELFARE STATES

Informal institutions are vital components for the history of a welfare state. People generally are willing to follow the rules that they learn by experience. Political economy also consists of formal and informal institutions; furthermore, informal institutions can create formal institutions. Repeated historical events built some expectations about the economy, politics, and social order. Then, institutions can react properly to these expectations, operating on the basic concepts. Another point to consider is the capacity of this institution. To start a new trend in the economic life of a country, institutional structures of an economy create basic conditions; in addition, another step is applying accepted rules.

Looking at Esping-Andersen observations, the first major welfare state initiatives occurred prior to democracy, but they were often motivated by desires to arrest the realization, for example, France under Napoleon II, Germany under Bismarck, and Austria under von Taaffe. Conversely, welfare state development was most retarded where democracy did not arrive later than in other countries, in particular, in the United States, Australia, and Switzerland (Esping-Andersen, 1990).

The dynamism of the welfare state started when Otto von Bismarck declared compulsory insurances to distract workers from revolutionary socialism and to buy their loyalty to the government. An interesting fact here is that, after this event, socialist ideology started to gain popularity among intellectual members of society, mostly in economically advanced countries, and a century later, most of them, became representatives of collectivism. Not to mention the fact that Adolf Hitler came to power via the ballot box. Institutions' effect on the welfare state has been one of the main central topics for welfare state progress for decades. Regarding classical economists, the free market not only should be protected but also should not be an object for

political speculation. Democratic institutions may have a significant role in this case. Nevertheless, surprisingly, right-wingers influenced the development of welfare state intensively, even if they were not in favor of the public provision. Moreover, after World War II, advanced economies' governments were affected by the policies that made them bigger and bigger.

Much broader, Therborn (1987) suggests that welfare states consist of state institutions and state orders for the simple and the expanded human reproduction of a given state population. Moreover, he highlighted the problem of the relationship between the state and the capitalist economy. In addition, after World War II the state came back as an institutional element, broader than the government and more differentiated from society than the political system onto the stage of theory and investigation. Studies on welfare states generally can be divided into two periods: post World War II and the late twentieth century. The period after the war can be characterized as a golden age of welfare state, because of an increase in taxes, income, government spending, expanding government and the intervention. If in the studies of the first period, which is the golden age of the welfare state, the importance of political actors can be observed, by way of contrast, in the second phase, the value of policies and political institutions is irreplaceable.

Starting from the early 70s this growth was replaced by a fall, which lasted until the early 90s and researchers in this period were mostly concerned about slow growth or even a decrease in welfare. Even during the 90s, the global economy experienced a decline, the countries, for example, Sweden, Canada, and Australia dealt with this problem relatively more productive compared to other countries, in particular, the United States or the United Kingdom. Even if GDP grew during that period, expenditures for social programs clearly decreased. But, in general, the situation was not unfavorable until 2008, when the crisis hit nearly all countries in the world. Developed or developing, each country experienced a crisis. For some economists, this event brought Keynesian ideas into global economic policymaking. Governments started to intervene to help with market failures, but this intervention was not as intensive as it was in the previous periods.

However, regarding the observations of Gonthier (2015), based on the European Values Study, the rejection of economic liberalism is not an epiphenomenon resulting from the 2008 crisis but has been an underlying trend across the European Union since the 1990s. The golden period for a welfare state was linked with post-war prosperity. At that time, using collectivist values governments were able to introduce a wide range of welfare policies, and until the first oil-crisis, it worked.

Two oil crises during one decade hit the welfare state unfavorably. After the 70s government spending started to decrease in many developed countries, and they started to move away from Keynesian ideas. Even if in that period Sweden's government expenditures went down, they were higher than that of other OECD countries. They wanted to save the economy with this strategy; it gave the results. While talking about the 80s, it can be mentioned that this period was characterized by oil glut as a serious problem for the global economy.

Regarding the observations of Esping-Andersen G. in the 1990s, there are three types of welfare states: liberal, corporatist and social democratic.

- Liberal welfare states – for these welfare states minimum level of de-commodification and dualism are main characteristics. For example, Canada, and Australia.
- Corporatist welfare states – private insurance and employee fringe benefits are marginal parts in this model. For example, France, and Germany.
- Social democratic welfare state – the highest level of de-commodification and universalism are typical for this regime. For example, Sweden, and Norway.

Liberal welfare states are not popular and one of the main characteristics is excluding the majority of the population from social benefits, as a result, the poor remain poor, and the middle class is turning to the private sector for help. Even if earlier universal access to education, healthcare, and other welfare services were available for this welfare state, as for example, in the United Kingdom after two oil price crises the situation has changed.

For corporatist welfare states, a relationship between a state and a church is critical. The Bismarckian welfare state is a typical example of it. Gender equality, universalism, equality between classes are not important factors for this welfare state, but market-labor benefits play an important role. That is why, now Germany is a big labor market for low-skilled immigrants, mostly from underdeveloped countries.

Social democratic welfare states are the most popular and sustainable for the long-run. Universal access to welfare services together with economic prosperity raised interest in this type of welfare state. In addition, it can be characterized by equality, redistribution of resources, low unemployment, and women's high labor market attendance.

Furthermore, regarding the investigations of Esping-Andersen and Korpi (1987), welfare states can be analyzed in terms of two models, marginal and institutional models. The main difference between them is government intervention. If the first model suggests that the limited intervention is useful, and the economy as a whole cannot benefit from the interventionist state, on the other hand, the

other one supports the idea of government intervention and the capacity for it. For the institutional model, three details are essential: de-commodification, solidarity, and social policy. De-commodification is about the independence of an individual's life from the labor market. Whereas, solidarity is about universalism, collectivism, equal treatment. Finally, referring to the last one, social policy should satisfy basic human needs.

Based on the research by Korpi (2003), welfare states were qualified based on economic institutions with three criteria: basis for claiming benefits, principles for setting benefit levels, and forms of governance of insurance programs. Regarding this typology, five welfare state regimes can be distinguished: the targeted, voluntary state-subsidized, basic security, state corporatist, and encompassing models. Nowadays, basic security, state corporatist and encompassing models are the most important and spread examples. As Bergh A. stated, there is some confusion regarding the appropriate labels for different types of welfare states. For example, the words 'universal', 'social democratic', 'institutional', 'comprehensive' and 'Scandinavian' may be described as nearly the same object. Moreover, the terms 'social democratic' and 'Scandinavian' are based on party politics and geography, however, it cannot be observed from a historical point of view or there are no clear theoretical arguments why this type of welfare state is more social democratic than other welfare states, or why this welfare state is more Scandinavian than others. Some economists think that the design and implementation of welfare policies can also be an answer to it. Nevertheless, one point is not clear yet: can these policies be reliable in the future of welfare states as they are now? Moreover, from this context, whether the future of welfare states can be predicted based on the design or implementation of these policies.

THE SWEDISH WELFARE SYSTEM IN HISTORICAL PERSPECTIVE

The Swedish economy and the welfare state are unique in terms of universalism. Because of early reforms in agriculture, the economy started to differentiate itself from others with universalism and the government started to interrupt markets more intensively. Sweden experienced institutional changes in the late 18th century, which was an initial point for the Swedish welfare state. Even if at that time this tendency could not be observed, by all means, land reforms helped to introduce welfare policies later. As Therborn G. mentioned, to grasp the early developments of the modern welfare state, with the establishment of universal education and extensive hospital systems, the statist problem of "state-building" appears fruitful, at least if it is

combined with a keen eye for the class and other social relations within which nineteenth-century state-building took place and was undertaken.

After first strikes in Sweden, 1880s, government representatives decided to turn to the welfare policies introduced by Bismarck, even if conservatives were in power. After conservatives and liberals, social democrats came into power in Sweden, at the beginning of the twentieth century. As Valocchi (1992) points out, being a reformist party, social democrats started to institutionalize welfare policies and based on early reforms the party made new universal, tax-supported public services, public works, and full employment policies. Regarding investigations of Kuhnle (1978), among Scandinavian countries, Sweden was the first one which referred to the German legislation of 1883. However, proposals, which were based on German law, were not accepted wholly, some modifications were made, and Sweden chose the individual way.

Because of the strong working class, the Social Democratic Party became in the center of attention, and starting from 1930s new tendencies were involved in social policy, in particular: equality, caring, sharing, fraternity, as social democrats consider policies of the welfare state in a class-based manner. This period was a historic turnout for Sweden, even if the global economy was experiencing the Great Depression at that time. The Ghent system should especially be mentioned because, during the 1930s, it was one of the most important rules about pension and unemployment insurance.

Furthermore, the distribution of service, goods, and income to all citizens without any regard is one of the main characteristics of this system. Bergh & Erlingsson (2009) noted that the center-right parties have never been united in opposition against the welfare state – and the party that was the most radical opponent, in addition often punished by the electorate. In spite of the fact, Sweden's economy was undeveloped in the late nineteenth century and nearly close to the average during the early twentieth century, but after World War II the economy experienced intensive growth. Korpi (2000) concludes that some Swedish economists blamed the welfare state as a reason for lagging behind other developed economies since the first oil crisis, which caused the situation called "Swedosclerosis". Regarding this view, Sweden's condition before the 1970s was more acceptable, and after the 1970s because of the welfare state's expansion economic growth rate started to go down. Institutional bases for welfare state were completely different from other countries, moreover, Sweden had social policy traditions even in the 19th century, furthermore coalition among different ideological unions or blocks were more cohesive than in other OECD countries. Mainly

because of these reasons, now Sweden has a more egalitarian society in the world, if not the most egalitarian.

While analyzing the Nordic welfare state, specifically Sweden, Bergh (2013) found out that the key to Sweden's success before 1970 was the combination of universal welfare state policies and a well-functioning capitalist economy. The welfare state and the market economy played different roles and worked effectively together, creating both prosperity and relative equality. During the 1970s, policies created the wrong incentives: firms could hope for subsidies and devaluations not taking measures to increase productivity. The disagreement between bureaucrats and the monarchy, in addition, a compromise between agrarian workers and the monarchy, coordination between city capitalists and people in power fastened the development of centralized welfare provision. Bergh, while introducing lessons from Sweden, mentioned that a typical explanation of the golden years 1870 –1970 is the export-driven growth of natural resources. When industrialism gained momentum in the United Kingdom, the demand for Swedish timber and ore increased. Another often mentioned explanation is that Sweden benefitted from staying out of the two world wars.

However, these days this explanation does not seem to be suitable for that period. The phenomenon is referred to as the resource curse, describing the tendency that, in the absence of good institutions, natural resources cause conflicts, corruption and detrimental behavior that obstruct growth. When institutional quality is higher, there are both laws and social norms that ease conflict resolution and lower transaction costs, fostering economic development. In this case, while noting Sweden's successful way to prosperity, not only grow because of the natural resources, but education, health, land reforms, institutional changes, and infrastructure also should be mentioned.

While mentioning a state's role in welfare states, interventionism also should be added. Nevertheless, by examining attitudes towards the state, it shows that almost all Europeans became more interventionist between 1990 and 2008. An open economy can balance and lighten the pressure by interventionism.

W. Korpi's investigation in 2003 suggests that unemployment should be taken into account as one of the main components of the welfare state and the reason for the retrenchment. In addition, the main problem of the studies in the retrenchment of the welfare state is ruling out the changes in unemployment's level. After World War II, economic development and full employment proved Keynesian ideas about full employment and showed that in reality, full employment is reachable

and the problem that the global economy experienced starting from World War I to the end of World War II can be solved.

THE WELFARE STATE IN POST-INDUSTRIAL SOCIETY

Economic prosperity, followed by World War II, brought with itself a shift in ideological preferences and an increase in government expenditure on social programs. During the 1970s, the first oil-price crisis came with stagflation, which had shown the difference of abilities in dealing with this problem. One of the most consequential problems, if not the first one, was mass unemployment. In addition, to deal with this issue, countries with advanced economies increased social expenditures. At the beginning of the second oil crisis, in the 1980s, countries started to increase their expenditures, but this period was completely different from the previous one. Because this crisis brought a historical increase in real interest rates, which caused a new issue that was not observed during the 1970s - deficit. In the 1990s, the global economy experienced another downturn. Especially in Scandinavian countries, the government's outlays went up earlier and even if it declined later, Nordic countries' expenditures were still higher. For example, at the end of the 1990s Sweden was running a budget surplus, and the role of taxes was vital in that situation. Now, Sweden is one of the most developed countries in the world. It can be helpful to look at some indicators, for example, Worldwide Governance Indicators, World Happiness Index, and Development indicators to understand how welfare state affects and how it affected the country throughout the history (Table 1; Table 2; Table 3).

While analyzing the tables below, it can be observed that Sweden did positively during the period given, in terms of World Governance indicators, World Development indicators, Happiness report. Regarding the last two tables, it can be concluded that the government's correct way of management led to economic development. Therefore, it affected people's satisfaction level with their lives. Social trust determines the most important cases in welfare states, and that is why the synergy between a government and population is very important for economic growth. Regarding the observations of Congleton and Bose (2010), a correlation between income and political views in the period of elections is positive and policymakers should satisfy electorates' needs. That is why Korpi (2003) notes that most governments gave priority to full employment in the tradeoff between inflation and employment during the first oil crisis. On the contrary, low inflation was the main goal during the 1990s. One of the main reason for it was

the formation of the European Union and the main goals. In addition, governments' attempts to achieve low inflation rates led to a high level of unemployment. As Myles and Quadagno (2002) highlight, the reason for low-productivity indirectly related to globalization, a shift of employment from manufacturing to services (post-industrialism) makes a considerable contribution to the decline. Period of post-industrialism generated new detail to the existing suggestions – gender equality (Table 4).

Early researches ignored women's role in the economy, not taking into account the role of the welfare state in human reproduction. Nevertheless, some researchers, for example, Therborn in his investigations from the 1980s (1986, 1987), draws attention to not only class but also gender relations within the welfare state. He describes welfare states as social systems of human reproduction. Studies on the topic of women and the welfare state raise many questions and open new topics on gender equality to debate.

Even if policy outcomes are mixed, women's mobilization changes family formation, which reduces patriarchy in a social system. Furthermore, it creates post-industrial problems, such as an aging population and a low fertility rate. To solve these problems, for example, Sweden was able to build strong knowledge bases for economic development. Taking into consideration scientific findings, economic scholars' ideas in the policymaking process helped the country to deal with a crisis during the 1990s. Even if social expenditures went down, it was still higher than the average OECD level, or even the currency depreciated tax-financed security system helped to face challenges in a socially acceptable way.

Therborn (2001) points out that, international economic inequality measured in GNP per capita increased steadily for the last two centuries; on the other hand, if purchasing power is taken into account, the results will be more egalitarian. As Esping-Andersen and Korpi (1987) claim, for some countries, for instance, Australia, New Zealand, and the United States, social policy has retained strong residual elements. In these countries, citizens are mostly dependent on private companies for social services. Corporatist welfare states, primarily based on Bismarck's rules, exclude a large proportion of the population from benefits, social services. On the contrary, the Nordic model of the welfare state is universal and institutional.

Based on the data below (Table 5), the welfare state in Sweden was and is still one of the major factors for economic development. As many economists mentioned earlier, the welfare state and the main components, for example, higher taxes, government's social expenditures, and the intervention are not the obstacles for economic growth, on contrary, the welfare policies with the

free market tools can work together not impeding each other's functions, but to provide prosperity. Even if, in the middle of the twentieth century, Sweden's problem of lagging behind seemed as a serious issue on the road to economic development, but during the following years policymakers solved this problem. And, Sweden could come back with minimum losses, if it is compared with other developed countries.

CHALLENGES AND FUTURE DEVELOPMENTS

Since the first oil crisis, it is common among economists to claim that a welfare state is in a crisis. The main points in this debate are the following: a welfare state is decreasing motivation and incentives for capital acceleration. Some studies argue that the main obstacle for the 1970s crisis was a welfare state by itself, as theoretical ideas could not be realized properly. In other words, after World War II, golden ages of welfare states' success led to the later recession. Keynesian ideas can be seen as the main reasons for it, but it can be argued that these ideas can provide an institutional foundation for a compromise between capital and labor. Keynesianism even provided socialist parties with a reason to be in a government office. By treating economic crises as first and foremost crises of economic demand, the implication of anti-cyclical demand management is that workers in their role as consumers suddenly appear as the representatives of the public interest. High taxes, high government expenditure, and intervention, social security can be considered as bases for this movement. The main aspect here is that a capitalist economy and a welfare state cannot exist separately without each other. At the same time, egalitarian characteristics of a welfare state is a threat to a capitalist economy.

Based on the lessons from the past, it can be argued that for the future of a welfare state social struggle will be one of the most important cases. Consequently, the countries, in which the working-class, employers and a state have a close relationship and understanding, can achieve economic prosperity in the future too. The political system also plays an important role, for example, in Sweden the Social Democratic Party provided this kind of alliance that led to economic growth and stability. But, taking into account current economic situation, economic policies and political maneuvers which help during golden ages, after World War II, cannot be fully implemented now to secure economic development for the future. In this case, policies should be adapted to the current situation, for instance, Neo-Keynesian ideas.

Arrhenius and Otero-Pailos (2010) point out that, "global" or "world" heritage organizations have

justified their existence on the governmental incapability. However, world heritage organizations' operations were formerly limited to developing countries under the premise of helping them spawn their own heritage bureaucracies; they are now expanding their activities to Western countries with mature heritage bureaucracies. Furthermore, in most cases, for developing countries, the main advice has been to spread the idea of a free market, and the limitation of the government's intervention. Conversely, for the Scandinavian countries both, the interventionist state and the role of heritage in politics are crucial. Regarding the investigations of Gonthier (2015), Europeans' liberal and anti-liberal preferences in economic matters co-exist more than they are mutually exclusive. In addition, if the country is not in advantageous economic conditions, people are mostly in favor of state intervention. Sometimes, it is about historical and cultural backgrounds too. However, there are some cases contrary to it, for example, Eastern European countries; based on the recent studies people became less sensitive to inequality, or France; the state which is known as one of the cradles of equality, now slightly changing the direction. But, in general, anti-liberalism is growing within the European Union, but this growth is not homogenous.

Research by Roosma, Gelissen and van Oorschot (2013) suggests that generally people are satisfied with welfare policies, and in favor of the goals, but the main problem the efficiency and effectiveness. In the near future welfare state will not face support problems by Europeans; however, one of the main problems is redistribution benefits, which still an issue in Eastern and Central Europe. Some studies suggest that trust is the main concept for the welfare state's size, and details, in particular, strong institutional base, and political confidence can secure it. Trust helps with free riding and fiscal problems in the welfare state. But one topic is still debatable, whether high trust by people makes a government less corrupted, more universal and efficient or vice versa, the activity of government makes people be so trustful. As a result, trust is one of the main reasons for the welfare state's sustainability in the long-run.

Increasing quality of life brought with itself one of the major problems for the future of the welfare state – the aging population. People live longer, and an increase in average life expectancy, a decline in fertility and mortality in younger ages caused the growth of the share of elderly people. This problem can be solved with the right demographic policies. In addition, immigration also can be seen as a possible remedy for it. Nevertheless, this fact should be taken into account that eugenics did exist in the history of Sweden, and still some parts of the population support it. In this context, the difference between locals and other nationals can be

education, lifestyle, and cultural background. For many economists, it can lead to the end of the European Union too. Because, in the countries, in particular, in Sweden, local people are sensitive to these differences, and people coming to the country are mostly from underdeveloped countries, with low skills, who are looking for better living conditions. Nowadays, in Sweden, the Swedish language is one of the most taught ones, because of immigration.

A recent study of OECD countries found out that, for the last two decades inequality increased dramatically and, at the same time, governments' redistributive influence decreased. One of the main reasons for it is globalization. Even in Sweden, where universalistic values are essential, immigrants, in most cases, are not treated in the manner of locals.

There are many suggestions, why some economists think the retrenchment of a welfare state will be soon, for example, globalization, neo-liberalism, and anti-tax movements. Moreover, politics, economy and other components will no longer be a territorial concept, but they will go beyond the boundaries, that is why, state-nation model, which was the base for modern welfare states after World War II, can be transformed into something different and it can end the existence of welfare state. On the other hand, observations of Bergh and Karlsson (2009) show that in this context Sweden is an exception. Because, government size, higher taxes negatively correlate with economic development. And these negatives can be compensated with an open economy. As a final point from this assumption, globalization will not prevent, on the contrary, can help to achieve economic prosperity. There are several surveys and indicators that can measure people's satisfaction level, in other words, if they are happy with their lives or not. Regarding the study by Pacek and Radcliff (2008), where they used subjective well-being measures, Nordic countries, especially Sweden, are holding top positions. People mostly satisfied with their lives, and this is one of the reasons for a nation's trust in a government, which is crucial to apply welfare policies. Universal and mostly free access to healthcare, education, and social security are attractive to people.

Even if changing economic situations and oil crises raised many questions about the sustainability of the welfare state, the welfare state's recovery from economic difficulties partly gave answers to some of the main questions. Einhorn and Logue (2010) mention that, "Sweden managed to smooth out the economic turbulence of the 1974-84 period through aggressive Keynesianism: countercyclical fiscal policies, the production for inventory scheme, active labor market programs, industrial policies to downsize the shipbuilding and steel industries, and currency devaluations."

Scandinavian countries could achieve prosperity and stable economic growth in the long-run. Moreover, now many western countries are trying to apply welfare policies to achieve development goals. Even globalization, which is for many economists one of the main reasons that can cause the end of the welfare state, is the most advanced in Scandinavian countries. These countries are not only using old welfare policies but also adapting these policies to the twenty-first-century economic conditions.

CONCLUSIONS

For numerous economists, globalization is one of the threats for the future of a welfare state; in addition, globalization can lead to low productivity. Post-industrial society transformed from manufacturing to services, a growing service sector led to low productivity. Post-industrialism created a new element, which is gender equality. For example, Sweden has the first feminist government in the world. This means that gender equality is central to the government's priorities – in decision-making and resource allocation. A feminist government ensures that a gender equality perspective is brought into policy-making on a broad front, both nationally and internationally. Women and men must have the same power to shape society and their own lives. This is a human right and a matter of democracy and justice. Gender equality is also part of the solution to society's challenges and a matter in a modern welfare state – for justice and economic development. The government's most important tool for implementing feminist policy is gender mainstreaming, of which gender-responsive budgeting is an important component.

As welfare policies are attractive to European citizens, governments' intervention started to increase. And for many economists it is not the result of the 2008 crisis, but this process has already started from the late 1990s. Moreover, anti-liberalism started to grow in Europe. But it is also true that the countries that are not in preferable conditions in terms of the economy are in favor of government intervention. Their expectations from the state were able to widen the range of welfare state in those countries too. However, in many cases, the economies could not catch up with western developed countries, for example, Sweden. That is why lessons should be taken from Sweden and the long way of success, nowadays policymaking, and should be applied to those countries, taking into account those countries' economic, cultural, regional background. Because economic policies are significantly linked to cultural background.

Some studies suggest that modern welfare states are in crisis, but based on the quantitative analyzes welfare states are not only in crisis but also they are increasing stably. However, financial problems can arise when children and old people are more than the tax-paying population. In addition, the government's "abnormal" full employment policy is costly for the state. Swedish pension reform helped partly to deal with this problem with the introduction "notionally defined contribution system".

Can the welfare state be the future of the global economy? To find an answer to this question still needs much more time and investigation, but one point is clear: a welfare state is on a solid basement and it will continue to grow.

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Table 1
The World Happiness Index for Sweden

| Year | TWH index |
|------|-----------|
| 2013 | 7.480 |
| 2015 | 7.364 |
| 2016 | 7.291 |
| 2017 | 7.284 |
| 2018 | 7.314 |

Source: *World Happiness Report (2019)*

Table 2
World Governance indicators – Sweden

| Year | Rule of law: estimate | Regulatory quality: estimate | Political stability and absence of violence/terrorism: estimate | Government effectiveness: estimate | Control of corruption: estimate |
|------|-----------------------|------------------------------|---|------------------------------------|---------------------------------|
| 1996 | 1.795 | 1.319 | 1.456 | 1.921 | 2.173 |
| 1998 | 1.794 | 1.217 | 1.398 | 1.955 | 2.228 |
| 2000 | 1.830 | 1.405 | 1.392 | 1.962 | 2.296 |
| 2002 | 1.876 | 1.638 | 1.478 | 2.026 | 2.257 |
| 2003 | 1.926 | 1.642 | 1.342 | 2.082 | 2.207 |
| 2004 | 1.893 | 1.679 | 1.362 | 2.121 | 2.156 |
| 2005 | 1.809 | 1.534 | 1.301 | 1.892 | 2.022 |
| 2006 | 1.864 | 1.439 | 1.294 | 1.804 | 2.196 |
| 2007 | 1.909 | 1.572 | 1.271 | 2.025 | 2.244 |
| 2008 | 1.931 | 1.635 | 1.129 | 1.956 | 2.227 |
| 2009 | 1.965 | 1.652 | 1.085 | 2.045 | 2.253 |
| 2010 | 1.955 | 1.658 | 1.094 | 2.004 | 2.274 |
| 2011 | 1.941 | 1.898 | 1.230 | 1.965 | 2.196 |
| 2012 | 1.951 | 1.907 | 1.170 | 1.957 | 2.312 |
| 2013 | 1.972 | 1.905 | 1.127 | 1.909 | 2.291 |
| 2014 | 1.992 | 1.811 | 1.065 | 1.803 | 2.153 |
| 2015 | 2.037 | 1.815 | 0.947 | 1.816 | 2.241 |
| 2016 | 2.043 | 1.854 | 0.980 | 1.787 | 2.223 |

Source: *World Bank (2019)*

Table 3
Sweden – World Development Indicators

| Year | Population, total | Mortality rate, infant (per 1,000 live births) | Life expectancy at birth, total (years) | GDP (current US\$) |
|------|-------------------|--|---|--------------------|
| 1960 | 7484656 | 16.3 | 73.005 | 14842870293 |
| 1965 | 7733853 | 13.7 | 73.861 | 23260320646 |
| 1970 | 8042801 | 11.3 | 74.649 | 37555366021 |
| 1975 | 8192437 | 8.7 | 74.984 | 81716751698 |
| 1980 | 8310531 | 7.1 | 75.740 | 1.40089E+11 |
| 1985 | 8350386 | 6.4 | 76.667 | 1.12514E+11 |
| 1990 | 8558835 | 5.9 | 77.536 | 2.58154E+11 |
| 1995 | 8826939 | 4 | 78.740 | 2.64052E+11 |
| 2000 | 8872109 | 3.4 | 79.643 | 2.59802E+11 |
| 2005 | 9029572 | 3 | 80.546 | 3.89042E+11 |
| 2010 | 9378126 | 2.5 | 81.451 | 4.88378E+11 |

| | | | | |
|------|---------|-----|--------|-------------|
| 2015 | 9799186 | 2.4 | 82.551 | 4.97918E+11 |
| 2016 | 9903122 | 2.4 | N/A | 5.1446E+11 |

Source: World Bank (2019)

Table 4
Labor force, female %

| | 1990 | 1995 | 2000 | 2005 | 2010 | 2015 |
|-----------|--------|--------|--------|--------|--------|--------|
| Sweden | 47.702 | 47.336 | 47.682 | 47.472 | 47.129 | 47.693 |
| UK | 43.192 | 44.290 | 45.210 | 45.675 | 46.018 | 46.446 |
| US | 44.318 | 45.197 | 45.558 | 45.777 | 46.164 | 45.845 |
| Australia | 41.374 | 42.696 | 43.628 | 44.666 | 45.086 | 45.863 |
| Canada | 44.080 | 44.933 | 45.701 | 46.416 | 47.128 | 47.023 |

Source: International Labor Organization (2019)

Table 5
GDP growth (annual %)

| Year | 1970 | 1975 | 1980 | 1990 | 1995 | 2005 | 2010 |
|-----------|-------|--------|--------|-------|-------|-------|-------|
| Sweden | 6.042 | 2.552 | 1.699 | 0.754 | 4.024 | 2.818 | 5.988 |
| UK | 6.596 | -1.479 | -2.027 | 0.731 | 2.469 | 3.096 | 1.694 |
| US | 3.206 | -0.197 | -0.244 | 1.919 | 2.718 | 3.345 | 2.531 |
| Australia | 7.167 | 1.332 | 3.052 | 3.530 | 3.889 | 3.203 | 2.005 |
| Canada | 3.255 | 1.822 | 2.162 | 0.154 | 2.677 | 3.201 | 3.083 |

Sources: World Bank (2019) and OECD (2019)