The Moral, Economic and Political Logic of the Swedish Welfare State

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Introduction

In a comparative perspective, the Swedish welfare state is known for being more universal, comprehensive and extensive than what is the case for most other OECD countries (Tilton 1990; Olsson 1993; Pontusson 2005; Steinmo 2010; Esping-Andersen 1990). From 1960s and until the 1990s, it was common to refer to this welfare state as central part of an internationally unique and specific "Swedish Model" (Milner 1990). Some has even characterized the welfare system and the defining character of the country (Berggren & Trägårdh 2006). Usually, the normative, economic and political parts of this enterprise are analyzed separately by scholars in different disciplines. In this chapter, I intend to present an argument for how they are integrated and should be understood as a precondition for the system as a whole. The argument is based on the idea that the political (that is, electoral) support for the welfare system cannot be explained without reference to its moral foundations and to the political viability of the system.

The Moral Foundations of the Swedish Welfare State

All welfare states have to handle a number of moral issues. One is of course what the welfare system should be about. Or more precisely, which human needs should it cater to? Since human needs are in principles endless, all welfare systems have to prioritize and to set limits and these decisions have to be based on a set of moral considerations of what should be the responsibility of the state.[1] Another such issue is to whom – should benefits and services be directed to "the poor" or should they cover broader categories or even all citizens. A third question is the issue of personal responsibility. For example, what type of demands for efforts to find work should be put on the unemployed and people with disabilities? A forth issue concerns the issue of citizens' autonomy. If the welfare state is going to provide specific services, for example in child care and elderly care, normative issues about citizens right to autonomy and self-determination has to be addressed (Gould 1988).

[1] The term "state" covers the whole "public sector" which means that local and regional governments are included. Included are also services that are for the most part politically regulated and financed by public money such as for example charter schools, privately operated health clinics and publicly controlled foundations such as some universities and research foundations.

The purposes animating the moral foundations of the Swedish welfare model have been the object of considerable research. To start with the latter issue, a large debate has occurred whether the Swedish welfare state should be seen as an attempt to increase the autonomy of citizens or as a centrally and expert led "invasion" of civil society by the state, i.e., as a reduction of citizens to the status of subordinate clients deemed unable to manage their own affairs (Gould 2010; Zetterberg 1992; Rothstein 1998). In the words of two famous political philosophers, does Amartya Sen's (2009) normative ideal that social justice demands that the state furnish all citizens with a set of "basic capabilities" best describe the Swedish welfare model, or is Jürgen Habermas' (1987) apprehension of the welfare state's continuous colonization of the private sphere - and the associated elimination of civil society - the more apposite description?

One of the more widely-discussed contributions to this debate was produced by the Swedish Investigation on Power and Democracy -- a mega social science research project set up by the government and conducted 1985 to 1990[2]. In its final report (SOU 1990, 234f) as well as in a much discussed book from the project (Hirdman 1989), the investigation sought to describe and interpret the ideological ambitions behind Social Democratic social policy - from the time of its founding during the 1930s up to the 1960s - from the perspective of the state's relation to the private sphere. The purpose was to reveal the underlying ideology - in respect to the relation of citizens to the state - that guided some of the most prominent figures involved in the establishment of Social Democratic welfare policy. Most important in this analysis are the two Nobel Laurates Alva and Gunnar Myrdal on account of the prominence of their famous book "Crisis in the Population Question" (Sw: *Kris i befolkningsfrågan*) published in 1934 and that framed much of in the social policy debate in Sweden during this formative period (Myrdal and Myrdal 1934).

The picture that emerges in this analysis largely confirms the thesis of a successive state invasion of the sphere of family and totalitarian control of private life (cf. Huntford 1971). This is symbolized by the title of the main book about this issue from the project (Sw: *Att lägga livet tillrätta*), which refers to the desire of the social policy experts to "put lives in order" - the lives in question being those of ordinary people (Hirdman 1989). The analysis succeeded in depicting the social policy circles in which the Myrdals took prominent part as inspired by a view of the relation between citizens and the state that must be termed both

[2] The project was organized and financed by the then Social Democratic government but the researchers operated under established principles of academic freedom.

paternalistic and utopian (as expressed in the concept of "social engineering"). Through the direction of popular consumption choices, and the lifestyles of "ordinary people" thereby, social policy would help to create a new, more rational kind of citizen - enlightened, well-adjusted, and socially committed (SOU 1990-44:234f; Hirdman 1989). For example, the Myrdals argued that it would be best to raise children in boarding schools; that household work is suitable only for feeble and indolent persons without ambition; that the raising of children should be regulated in detail according to scientific methods; and that the performance of such duties should be assigned in part to publicly-appointed experts (Hirdman 1989:111-124. With the ideologically charged concept of "violation"[3] the Power and Democracy Project called attention to the potential effects of such policies - the price, in other words, that benevolent intentions to "put lives in order" could have for the autonomy of citizens (Hirdman 1989:17 and 227ff).

This analysis of the normative foundations of the Swedish Welfare State produced by the Power Democracy project undoubtedly performed a valuable service in pointing out the strong paternalism characterizing the political views held by the two Nobel Laurates Alva and Gunnar Myrdal[4]. There are, however, two problems with this analysis for the understanding of the normative foundation the main parts of the Swedish welfare state. The first is that this analysis did not distinguish between the discussions about social policies and what type social policies that were actually implemented. Secondly, the claims there was a "uniform view of man among the Swedish reformers," (Hirdman 1989:11) and an associated consensus as to the appropriate shape of social policy is not borne out by the historical facts. What happened was that the Myrdal vision of social policy was defeated at the hands of those in the party who were in power such as the Minister of Social Affairs, Gustav Möller. There was no single or uniform view of the relation between citizens and the state among the leading Social Democrats of the time. On the contrary, two altogether different approaches existed and it was not the Myrdalian vision of the welfare state that got the final say.

[3] Sw: "kränkning"

[4] Alva Myrdal received the Nobel Peace Prize in 1982 and Gunnar Myrdal the Prize in Economic Sciences to the Memory of Alfred Nobel in 1974

Gustav Möller and Social Policy as Citizens' Rights

Gustav Möller became the General Secretary of the Swedish Social Democratic Party in 1916, a post that he held until 1940. He was Minster of Social Affairs 1924-26 and (with a small interruption) from 1932 to 1951. The historical record shows that already in the early 1930s, he regarded the Myrdals and their intellectual entourage with great suspicion, as idealists out of contact with political and social realities (Carlsson 1990:56). At the Social Democratic party congress in 1936, when the Myrdals' book about the population issue had become central in the political debate, Möller stated that, for his part, he had no interest in the population question, save for the opportunity it presented for "scaring as many conservatives, farmers league representatives and liberals as possible with the threat that our people will die out" if by this could get their support for his social policy measures (Lindberg 1999; Carlson 1990).

Möller's main goal was to establish a social policy system that would supply citizens with basic capabilities in a manner avoiding the stigmatization and violation of integrity characteristic of old (and then still in operation) poor relief system. He gave expression to these principles in his directives for one of the major social policy commissions he appointed during the second half of the 1930s:

> A characteristic feature of poor relief is that assistance is rendered after an open-ended means test, in which the authorities' subjective assessment of the individual's need for aid is determinative, both as regards the character of the assistance granted and its extent. Certainly, the first paragraph of the law on poor relief enjoins the municipalities to furnish minors and the disabled with the necessities of life, but in practice the municipal authorities enjoy very much a free hand in implementing this mandatory poor relief. ... During recent decades, however, a new type of social assistance has emerged, which in the respects mentioned differs from poor relief altogether. In area after area, arrangements have been undertaken, by means of state measures, which secure to citizens a right to the assistance of society, under certain conditions stated clearly in statute or in law, and comparatively easily ascertained (cit. in Rothstein 1998:175).

In these directives is another of Möller's political ambitions, namely: avoiding "the dangers of excessive bureaucratization." This was one of his most frequent political themes - how to expand social welfare without increasing the power of bureaucrats over citizens thereby. One of Möller's closest collaborators, Per Nyström (who served as his under-secretary of state from 1945 to 1950, and later became a professor of history), in an article written in 1991, sharply criticized the analysis from the Power and Democracy Project as follows:

> Möller was by no means guided by the theories of the social engineers, but rather by the ideas of K. K. Steinke, and by the Danish social reforms of 1933, which Steinke carried out. The program recommended by the social engineers never came to characterize Swedish welfare policy, in which general security measures dominated altogether (Nyström 1991, 188).

Wherever possible, Möller tried to organize social policy on the basis of specified rights that were to be distributed as broadly as possible (Thullberg 1989). For those cases in which some form of needs-testing could not be avoided, Möller introduced an interesting innovation in governance. This involved assigning the administration of the needs-test to the organizations representing the groups towards whom the policy was directed. Two examples of this approach to problems of governance are the support for helping small firms to survive and unemployment insurance. In the former case, Möller rejected the idea that the National Board of Commerce should handle this issue. Instead, he entrusted these delicate and difficult decisions about which small that had a chance to survive and therefore should be temporarily supported, to the local enterprise associations. In a similar way, unemployment insurance, which entails the complicated question of which type of work an unemployed person should have to accept without losing the benefit, were to be handled by (officially authorized) unemployment funds that were organized by the trade unions. In both cases, Möller justified the chosen arrangement on the grounds that an increase in the power of state officials over citizens could be thereby avoided (Rothstein 1992). What Möller did, in other words, was to make it possible for citizens to solve these intricate problems of implementation by way of their own, partially autonomous institutions. The object of this strategy was double – both to avoid rigid bureaucratization and to solve problems of possible overuse and abuse that can

arise in such programs by giving the responsibility for the implementation to the locally appointed representatives of the "policy-users" (Thullberg 1989).

If one seeks a reform clearly illustrating the difference between what the Myrdals *thought* and what Gustav Möller *carried out*, the program established for assisting low-income families with children is a good candidate. In brief, the approach favored by the Myrdals - which was termed the in-kind line - called for a selective targeting of assistance to families with children suffering from economic deprivation, and urged that such aid be distributed in the form of various goods. The needy mothers would receive clothing, shoes, vitamins, foodstuffs, etc., from municipal retail outlets. The National Board of Social Affairs would see to the standardization of the quality of these goods. The argument for the in-kind line focused on the issues of targeting and quality. Means-testing would ensure that assistance went to the "truly needy," and that maximum efficiency in the use of tax monies was thereby achieved. The in-kind line made it possible, moreover, to guarantee that expenditures on behalf of needy families were converted into goods of the desired quality, for the consumption choices of recipients were directed (Hatje 1974, 204).

The selective, in-kind line lost out, in the end, to the idea of general, in-cash child benefits. Möller argued that the latter method would avoid the stigma associated with means-tests. Many other administrative problems arising in connection with means-tests would also be avoided thereby, and the need for a large bureaucracy - in order to ascertain who was entitled to support and who was not - would be obviated. Economically deprived families needed neither charity nor paternal instruction, but a cash increase in their household budget. One could, in Möller's view, trust the people themselves to make wise use of these monies. From a gender perspective, it is interesting that the money should go to the mother (Hatje 1974:202f). Möller's early involvement in social policy, an involvement which issued in the passage of such reforms - critical to the prospects of women and children - as maternity allowances, advance maintenance payments (i.e., the state acting as a "middleman" guaranteeing maintenance payment to single parents and taking care of securing payment from the parent that do not have custody, free maternity care, widows' pensions, free childbirth services, and a prohibition against discharging female employees on account of pregnancy or marriage (Thullberg 1989). A review of the social policy reforms promulgated by the Ministry of Social Affairs during the years from 1933 to 1939 reveals that the greater number concerned children and mothers, and that they strengthened the autonomy of recipients as citizens, by

granting them clearly specified rights. These reforms did not seek to put the lives of recipients "in order" by means of the discretionary disbursement of resources.

Möller sought by various means to immunize his reforms against both the abuse of power by bureaucrats as well as overuse or abuse on the part of recipients. Uniform and general cash benefits were of course an important method, as was his attempt to find functioning and reliable organizations to implement the reforms. Another clear example was his opposition to introducing income-graded classes into the system of sickness benefits. What Möller objected to was not the principle of income-related benefits, but rather the invitation to fraud presented by a system in which citizens themselves would state their income class. The temptation to report overly high incomes would undermine the reform's legitimacy, and moreover would require a considerable apparatus of verification and control (Svensson 1994). It should, however, be underlined that this rights based approach to social policy was thought to cater to people who under ordinary circumstances could support themselves but who either due to personal circumstances or economic downturns temporarily had lost their ability for gainful employment (except in the case of retirement).

It should be underlined that this rights-based and universal (or near universal) moral “modus operandi” of the Swedish welfare state, while definitively a dominating feature of the system, also have had several important exceptions. Among those one can mention the policy of forced or “semi-forced” sterilization of women that were seen unfit to be mothers that was an established social policy well until the early 1970s. The extent and moral implications of this policy has been hotly debated but there should be no question that the rights of a substantial number of Swedish citizens were grossly violated (Lucassen 2010; Hirdman and Lundberg 2002).

Moreover, as in all other modern societies, a category of people exist who, for various reasons, are permanently or under very long periods unable to support themselves (or live in households where there is a “breadwinner” who can support them). For this category, means-tested social assistance has often been the only option and this (Salonen 1993). As Sweden has received a considerable number of immigrants during the last two decades who in many cases have encountered difficulties in establishing themselves on the labor market, this has led to an increasing number of people being forced to rely on means-tested social assistance (Gustafsson 2013).

The Political Logic of the Universal Welfare State Model

One of the most prominent explanations for the political support of the Swedish welfare state is the Power Resource Theory according to which it largely a function of working class political mobilization (Huber and Stephens 2001; Korpi 1983). The Power Resource Theory grew out of an effort by a group of scholars who during the late 1970s tried to find a "middle way" between on the one hand the then popular Marxist-Leninist view that the welfare state should be understood as merely a functional requisite for the reproduction of capitalist exploitation, and on the other hand the idea that welfare states follow from a similar functionalist logic of modernization and industrialization. As a reaction against these functionalist explanations, PRT puts forward two important issues. First, PRT scholars were the first to point out the variation in things like coverage, extension and generosity among existing welfare states and that this variation needed to be explained. Second, they introduced the importance of political mobilization based on social class as an explanation for this variation (Korpi 1983). Variation in welfare states reflects, according to this theory, "class-related distributive conflicts and partisan politics" (Korpi 2006, p. 168). The more political resources the working class is able to muster, such as a strong and united union movement that gave electoral support to Labour or Social Democratic parties, the more extensive, comprehensive, universal and generous the welfare state would become. The logic was according to the theory that the class based division of labour led to a situation in which categories with the high risks had lower resources to cope with these risks which would result in a collective demand for social insurances. This is a powerful and quite dominant theory but it has been criticized for not being able to answer precisely why that demand for social insurance was to be directed at the state. Unions could for example have dealt with this problem by setting up their own social insurance organizations and used their strength at the negotiation table to get employers to contribute financially. In this way, the working class organisations would have had full control over the system for social insurance they demanded. In other words, the PRT approach lacks an explanation for why the working class in some countries more than in other came to entrusted the *state* with this important task (Skocpol 1992).

Another central question in this debate has been if the specific character of the Swedish welfare state be explained by variables related to historically inherited cultural traits? Or should it be explained by deliberately designed political institutions that have led to more solidaristic norms? Argument for the historical-cultural approach argues for the existence of a

high level of social trust before the welfare state emerged (Bergh and Bjørnskov 2011) as well as the specific character of the Swedish state during the 19th century being less repressive including the relatively high social and political independence for the peasants (Knudsen and Rothstein 1993). Others have pointed to the importance of the design of electoral system at the beginning of the 20th century arguing that proportional systems have tended to favour higher levels of public spending than two-party systems (Iversen and Soskice 2006). In addition there are also arguments for importance of the cultural and ethnic homogeneity as a precondition for the Swedish type of universal welfare state (Alesina and Glaeser 2004) as well as the importance of egalitarian values (Graubard 1986).

One problem for these arguments is that the same broad based support for universal type of social policies that Svallfors chapter in this volume documents for the Swedish case can be found for this same type of social policies in countries with a predominantly targeted and much less encompassing welfare state. One case is the National Health Service in the United Kingdom (Klein 2010) and another is the Social Security programs in the United States (Béland 2005). Moreover empirical studies show that the huge differences between the systems for social protection in countries like Sweden and the United States cannot be explained by different attitudes towards equality and social justice (Larsen 2006). Instead, it is the prevailing institutions for the provision of social policies that are important (Larsen 2008). This implies that it is predominantly the institutional design of the policies and not the specific national culture that determines the broad based political support for the welfare state in Sweden as shown by Lindbom and Svallfors in this volume. The issue is how this logic between institutional design and political support can be understood.

If the interests and values of voters/citizens in similar types of societies (in this case the liberal democratic market economies) are to be understood from a unified dimension of human behaviour, such self-interest utility maximization (or some form of altruism), it becomes very difficult to explain why these societies have established very different systems for social protection. An alternative approach that recently has gained a lot of support in experimental research is to understand human behaviour as being based on reciprocity. The central idea here is that people are not so much motivated "from the back" by utility-based calculations or culturally induced norms. Instead, human behaviour is to a large extent determined by forward looking strategic thinking in the sense that *what agents do, depends on what they think the other agents are going to do* (Fehr 2000; Fehr and Gintis 2007; Gintis et al. 2005; Bicchieri and Xiao 2009; Fehr and Fischbacher 2005). As stated by Fehr and

Fishbacher (2005:167): "If people believe that cheating on taxes, corruption and abuses of the welfare state are wide-spread, they themselves are more likely to cheat on taxes, take bribes or abuse welfare state institutions". This implies that the behavior depends on how the existing institutions inform the agents' mutual expectations. Regarding the prospect for solidarity, results from research show that most people are willing to engage in solidaristic cooperation for common goals even if they will not personally benefit from this materially (Levi 1998). However, for this to happen, three specific conditions have to be in place. First, people have to be convinced that the policy is morally justified – what can be called substantive justice. Here, rights based universal or near-universal entitlements that dominate the Swedish type of welfare (and the National Health Service in the UK and Social Security in the US) state seem to stand a good chance for getting broad based support. However, empirical research shows that argument relying only on substantive justice is usually not enough for convincing people to cooperate (Levi 1998). Successful cooperation depends on that two additional requirements are fulfilled. The second requirement is that people can convinced that the policy in question will be implemented in a fair and even-handed manner and the third is that that it will not be abused or overused by "free riders". Both these requirements are issues about *procedural justice* (Tyler 1992). On this point, implementation research has shown that means- and need-tested programs are much more difficult to implement keeping with what is usually seen as procedural justice. One reason is that such program places great demands on both public employees who must actively interpret a general body of regulations and apply them to each individual seeking to qualify for a public service. The difficulty is that the since the regulations have to be general, this comes with a huge amount of bureaucratic discretion. The so called "grassroots bureaucrats" have to handle this problem by developing their own practice in interpreting the regulation which leads them to use "prejudice, stereotype, and ignorance as a basis for determination" (Lipsky 1980, 69). Empirical research has shown that citizens' direct experience from interactions with various social policy programs have a clear influence on their political opinions and, moreover, that such experiences are more important than citizens' personal economic experiences when they form opinions about supporting or not supporting welfare state policies (Kumlin 2004).

As for the problem of "free riding", in means- or needs-testing program, the person seeking assistance has an incentive and usually also the opportunity withhold relevant information from the bureaucrat and to try in various ways to convince the latter that she should qualify for the service in question also when this is not the case. This situation easily escalates into a

vicious spiral of distrust from the client leading to increasing control from the bureaucrat that in its turn results in still more distrust from the client, and so on. For these reasons, means- and/or needs testing and bureaucratic discretionary power are often more difficult to reconcile with the principle of procedural justice, compared to universal public services. Since selective welfare institutions must test each case individually, they are to a greater extent subject to the suspicion of cheating, arbitrariness, and discrimination, compared to universal public agencies. To this should be added the well-known problem that targeted program in the public discourse often leads to an "us and them" political logic that is not conducive for broad based solidaristic collaboration (Larsen 2007).

The political logic of a welfare state thus depends on the existence of a "feed-back mechanism" between people's support for policies that they deem fair and just and their perceptions of the *quality of the institutions* that are set up to implement these principles (Kumlin 2004). Recent empirical research strongly supports this argument. Using survey data for 29 European countries that includes questions about the fairness of public authorities (health sector and tax authorities) as well as questions about ideological leanings and policy preferences, Svallfors (2013) has shown the following: Citizens that have a preference for more economic equality but that lives in a country in which they perceive that the fairness and quality of government institutions is low, will in the same survey indicate that they prefer lower taxes and less social spending. However, the same "ideological type" of respondent but who happens to live in a European country where he or she believes that the authorities that implement policies are basically just and fair, will answer that he or she is willing to pay higher taxes for more social spending. This result is supported in a study using aggregate data about welfare state spending and quality of government for Western liberal democracies (Rothstein et al. 2011) – the higher the quality of government the more countries will spend also when they control for variables that measures political mobilization and electoral success from left parties. To summarize my interpretation of these studies – citizens that live in a country where they perceive that corruption or other forms of unfairness in the public administration is common are likely to be less supportive of the idea that the state should take responsibility for policies for increased social justice even if they ideologically support the goals such policies have. The most likely reason is that they will believe that their solidarity will not be reciprocated.

The Economic Logic of the Universal Welfare State Model

The economic logic of the Swedish type of welfare state is often misunderstood, even by sympathetic commentators (Judt 2009). The most common is that this type of welfare state is portrayed as a very costly undertaking that by its high level of taxation becomes a hindrance to economic growth. This reveals a misconception regarding what this welfare state is about. Its main feature is not benefits to poor people, but universal social insurances and social services that benefit the whole, or very large, segments of the population. These goods are in high demand by almost all citizens and research shows that having these demands covered by universal systems in many cases becomes more cost-effective. In private health insurance systems, for example, the administrative costs for insurance companies alone (in screening out bad risks, the costs for handling legal problems about coverage) can become very high as seems to be the case in the United States[5]. Universal systems, on the other hand, tend to be more cost-effective for the simple reason that risks are spread over the whole population and the incentives for providers to overbill or use costly but unnecessary treatments are minimal. As the British economist Nicholas Barr has observed due to what economist call "asymetric information costs" universalist policies, "*provide both a theoretical justification of and an explanation for a welfare state which is much more than a safety net. Such a welfare state is justified not simply by redistributive aims one may (or may not) have, but because it does things which markets for technical reasons would either do inefficiently, or would not do at all"* (Barr 1992, 781, see also Barr 2004). Simply put, if middle-class people in in Sweden would be deprived of their universal systems for social protection and social services, they would in all likelihood decide that they have to buy these services on the market. This would for them in most cases be more expensive due to the problems of "asymmetric information". A third general misunderstanding about the universal welfare state system is the neo-liberal argument that high public expenditures are detrimental to market-based economic growth. As shown by the economic historian Peter Lindert (2004) and also in a recent book by Douglass North (together with John Wallis and Barry Weingast), this is simply not the case (North, Wallis and Weingast 2009). In a global perspective, rich states have a level of taxation that is almost twice as high compared to poor states. And when the rich western states are compared over time, the evidence that high public spending is negative for economic growth is absent. The reason, according to North et. al., is that large parts of public spending go to the provision

[5] For a brilliant journalistic analysis of these problems, see Atul Gawande's article "The Cost Conundrum" in *The New Yorker*, July 1st 2009.

of public goods that are necessary for economic growth but which markets cannot provide, partly on account of the information problems stated above. Interestingly, among those public goods, North and his colleagues include not only the usual things like infrastructure, research, and the rule of law but also education and social insurances and social services (North, Wallis and Weingast 2009).

A fourth common misunderstanding is the notion that targeting welfare benefits on the poor is the best way to achieve economic redistribution. Intuitively, one would assume that redistributive policies that tax the rich and give to the poor would be the most efficient way to reduce poverty, while universal policies that give everyone the same service or benefits would not have a redistributive effect. But the facts are the opposite. The technical reason as to why universal systems are more efficient in reducing economic inequality is that taxes are usually proportional or progressive, but services or benefits are usually nominal; you get a certain sum or a certain type of service. The net effect of proportional taxes and nominal services/benefits results in comparatively high redistribution from the rich to the poor (Moene and Wallerstein 2001; Rothstein 1998, Åberg).

The following table offers an idealized version of how such a system can work. Here we have five classes of people, in which there is a hypothetical income distribution of 1 to 5. In other words, lowest income earners have a before tax and benefit income of a fifth of the highest income earners.

Table 1. The redistributive effect of the universal welfare state.

Group	Average income	Tax (40%)	Transfers	Income after taxes and transfers
A (20%)	**10000**	**4000**	**2400**	**8400**
B (20%)	**8000**	**3200**	**2400**	**7200**
C (20%)	**6000**	**2400**	**2400**	**6000**
D (20%)	**4000**	**1600**	**2400**	**4800**
E (20%)	**2000**	**800**	**2400**	**3600**
Ratio between groups A & E	**5/1**	**(= 12000)**	**(12000/5=2400)**	**2.33/1**

The redistributive logic of this model of a universal welfare state system is as follows. In the first column, income earners are divided for the sake of simplicity into five groups of equal size, according to average income. We then assume not a progressive but rather a strictly proportional system of income taxes and we set the tax rate at 40%,. Finally, we assume that all public benefits and services are universal, which means that the individuals in each group receive *on average* the same sum in the form of cash benefits and/or subsidized public services. The result, as seen in the last column, is a dramatic reduction in inequality between group A and group E, from 5/1 down to 2.33/1. The level of inequality has thus been reduced by more than half in this model of how the universal welfare policy works.

No tax system is perfectly flat and no social spending system is perfectly universal. But, as this model implies, a purely flat tax system if combined with universal benefits/services is likely to be more progressive in its effects than the targeted systems found in many real world

countries. Again, the redistribution is achieved by taxes being paid as a percentage of the income while universal benefits are nominal. Thus, in a universal system where "everyone pays the same" and "everyone receives the same", contrary to what is often thought to be the case, a huge amount of redistribution is taking place.

The political reasons as to why universal policies are more effective in terms of alleviating poverty are that if a state is going to tax the rich and give to the poor, the rich and semi-rich (that is the middle class) will not agree to pay high taxes because they perceive that they do not get enough back from the government (Korpi and Palme 1998). They will perceive social services and benefits programmes as policies only for "the poor", and especially the middle class (who, note, are also the "swing voters") will turn away from political parties that argue for an increase in taxes and social policies (Rothstein and Uslaner 2005). One might add that it is often assumed that the Social Democratic model is the result of highly progressive tax systems. This is incorrect since the Social Democratic model usually has a relatively flat tax structure but, as explained above, if these taxes are relatively high and are combined with largely universal social spending programs, this creates massive redistribution. It should be noted that this model also can serve to illustrate how the economic and political logic of this system interact. From an purely self-interest based idea of political behavior, groups A and B should be against such a model because in strict economic terms they will pay more than they get. Groups D and E should be in favor since they get more than they pay for. The crucial group is then group C, which we can call "the middle class" since they get what they pay for. Since this group can be seen as the "swing voters" deciding what will be the political majority in elections, they are the crucial group for the system to work. In particular, since they according to this hypothetical model get what they pay for, the system have to deliver what it has set out to deliver. Otherwise, this group will turn against this type of welfare state and then this type of welfare system will cease to exist.

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