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A Historical-Institutional Study of the Welfare Systems in the United States and Sweden: Net Social Wage Approach

Sarah Elliott Blank

Bucknell University, seb038@bucknell.edu

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A Historical-Institutional Study of the Welfare Systems in the United States and Sweden: Net Social Wage Approach

by

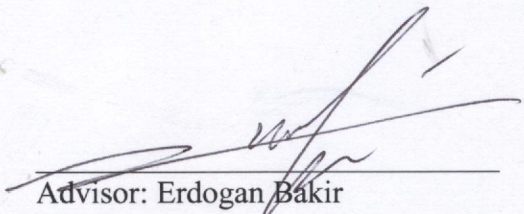
Sarah E. Blank

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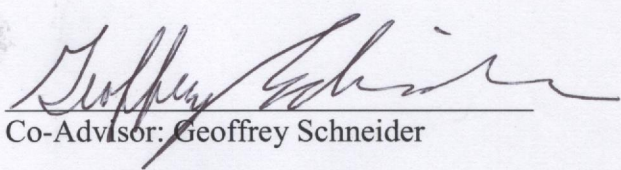
April 23, 2014

In this study I first look at the historical developments of the welfare systems in Sweden and the United States to understand why these countries have produced two distinct systems over the years. After understanding their historical context I turn to the question of the relationship between the welfare system and economic growth. Policy makers and the mainstream media commonly cite the critique that through government deficit and public debt, welfare systems are a drag on the economy. By calculating the net social wage, the difference in taxes paid and benefits received by workers, I test this hypothesis to see if welfare systems are self-financed by the workers. My findings demonstrate that the net social wage has been negative in the U.S. from 1962 to the early 2000s and in Sweden from 1965 to 2012. This shows that the welfare systems are entirely self-financed by the workers for the full period in Sweden and until the recent financial crisis in the U.S.

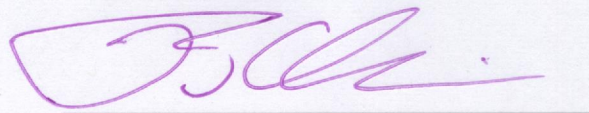
Approved by:



Advisor: Erdogan Bakir



Co-Advisor: Geoffrey Schneider



Department Chairman: Thomas Kinnaman

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Chapter 1: Introduction

1.1 Welfare and Its Common Critiques

Before we begin a comparison between welfare systems by calculating the net social wage, it is vital to first define what a welfare system is. Michael Katz (2010, p. 510) explains that a welfare system is a collection of institutionalized programs that are designed to protect “against the risks inherent in human life—unemployment, poverty, sickness and old age – that in one way or another confront everyone.” Donatella Gatti and Andrew Glyn (2006) further add that the three main objectives of a welfare system are to: protect workers, provide insurance for life events that affect us all and reduce inequality.

Today in the United States when policy makers and the mainstream media attack the welfare system it is usually in reference to government handouts to the “undeserving poor.” However narrowly defining welfare as government handouts to the “undeserving” excludes the majority of welfare expenditures that in reality go to programs such as education, social security, medical coverage for the elderly and insurance for the disabled. Yet it is no accident that these forms of welfare are ignored in the discussion today. By ignoring these forms of “deserving” assistance and in turn only focusing on the “undeserving,” the attack on the welfare system seems justified (Moudud and Zacharias, 1999; Katz, 2010). Further this group of “undeserving” recipients has over time become concentrated on unmarried women of color so that today the welfare system in the United States has “acquired the combined stigmas of race [and] gender” (Katz, 2010, p. 509).

Although this attack on welfare has certainly intensified in the past thirty years, the distinction between “social security” and “welfare” within the United States can be traced back to the foundation of the original Social Security Act of 1935. While it is true

that some politicians fought for a more inclusive policy, what in the end was enacted in the original Social Security Act outlined very minimal and temporary public assistance programs, directed only for the sick and elderly. This very clearly separated public assistance, what we consider welfare today, from social insurance, and additionally excluded health care from the act all together (Moudud and Zacharias, 1999).

On top of the sociological attacks, mainstream economists also critique the welfare system. The most common neoclassical economic criticism has always been based on the belief that the welfare system conflicts with the process of capital accumulation, which is deemed to be the driver of economic growth. The defenders of this view assert that the welfare system introduces labor market distortions, reduces the efficiency of the private sector by crowding out private investment and increases budget deficits and public debt (Moudud and Zacharias, 1999).

These conservative critiques of the welfare system rely on three major assumptions that are based on economic theory, but are unrealistic in practice. The first assumption is that market forces determine wages so that wages rise and fall in line with the supply of and the demand for labor. In other words, full employment is possible as long as wages are flexible enough to achieve the labor market equilibrium. However, in reality wages are determined by institutional and historical factors, making zero or very low unemployment practically impossible. Thus, the conservative critique that welfare systems introduce labor market distortions is unwarranted. In fact, increased government spending on social programs such as unemployment insurance and labor training should decrease unemployment by increasing the demand for labor and serve as a protection for the unemployed (Moudud & Zacharias, 2000).

The second major assumption made by supply-side economists is that household savings decisions drive long-run growth. However as Jamee Moudad and Ajit Zacharias (1999) point out, household saving rates do not determine interest rates, but are instead the result of them. In line with the Keynesian economics view, Moudud and Zacharias (2000, p.3) argue that “what is important for capital accumulation is not aggregate savings but the investable surplus, which is that portion of private (business and household) savings that is available for investment in the business sector after the rest of savings in the private sector has been set aside as money and bonds.”

The final assumption neoclassical economists make to rationalize their attack on the welfare system is that welfare systems increase government deficit and public debt. The argument follows that the costs of welfare programs outweigh their benefits. To justify their position, neoclassical economists commonly cite the vast amount of individuals who abuse these programs such as the earlier described depiction of unmarried welfare mothers or individuals who receive unemployment benefits without looking for a job (Freeman, Swedenborg and Topel, 2005). Although evidence showing the relationships between economic growth rates and the size of the welfare system are somewhat mixed, as Figure 1 demonstrates we do know that in terms of measured GDP per capita, welfare spending and aggregate economic performance are not negatively correlated (Atkinson, 1999).

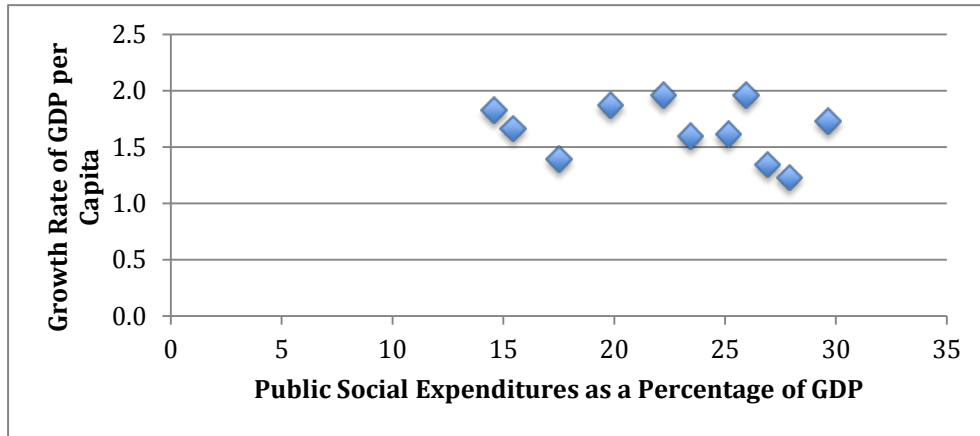


Figure 1: Growth Rate of GDP per Capita vs. Public Social Expenditures of GDP (average for 1980 to 2012)

Source: OECD Data Set (see data appendix for details)

Through measuring net social wage, the difference between the social expenditure and taxes for the working class, for the United States and for Sweden, this paper will dispute these three mainstream assumptions. The net social wage in both Sweden and the United States over the past 50 years has been virtually zero¹. This proves, in part, that despite the differences in the welfare systems in the two countries, as a whole, social expenditures on the working population does not cause an economic drain.

1.2 Path Dependency of a Welfare State

We can now turn to look at how and why the U.S. and Sweden have developed such distinct welfare systems. To get an idea of the variance in the size of the welfare systems, I refer to the percentage of Gross Domestic Product that both Sweden and the United States have spent on social programs over the past 30 years. As one can see from figure 2, for the past 30 years Sweden has spent an average of just under 29% of their GDP on social spending while the United States has spent an average of 17%.

¹ See figure 12

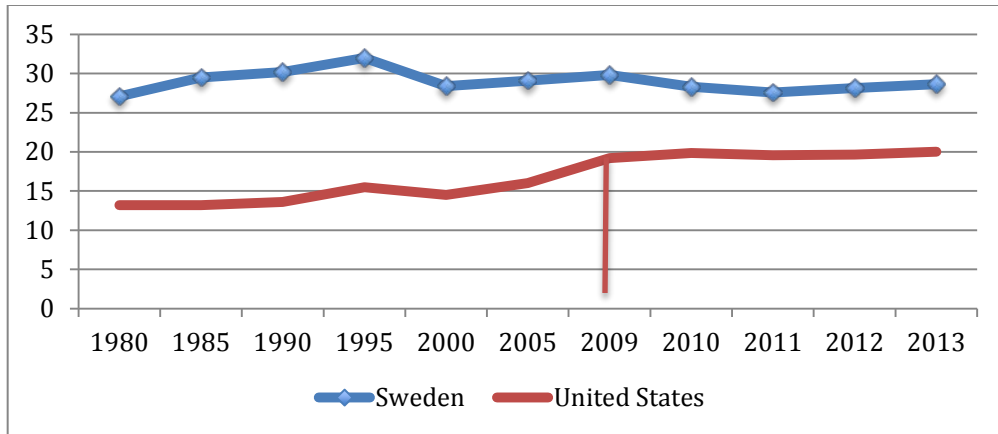


Figure 2: Public Social Expenditures as a Percentage of GDP
 Source: OECD (see data appendix for details)

As seen in Figure 2, social spending in Sweden has been more or less stable at about 29% while the U.S. saw a one-time jump in their social spending in 2007 to 2009 by about 5%. This jump in spending was in response to the recent global financial crisis. The increase was not due to expanded social programs, but instead due to an increase in the number of people receiving unemployment and other forms of benefits. In addition, because of the severity of the crisis, the duration individuals received these benefits also increased.

The U.S.'s choice to not expand its social programs in response to the 2007 financial crisis can be linked back to the idea of path dependency. The theory of path dependency hypothesizes that pre-existing policies and institutions within a country mold that country's future decisions and developments (Katz, 2010). It is important to understand that path dependency does not mean that change can never occur. Instead a welfare state that is path dependent is one in which the countries' past experiences, pre-existing policies and their historical, political and economic contexts have an influence on how their welfare systems are constructed today (Wilsford, 1994). Thus, the United State's response to the financial crisis in terms of social spending shows that while

change can occur in response to a major event like an economic downturn, the type and scope of the changes are highly dependent on the country's history.

Thus, to understand both the American and the Swedish welfare systems today it is essential to look at the historical trajectories of the two countries' welfare systems. Only then can we understand how path dependency and seemingly minute decisions made over a hundred years ago, still affect Sweden and the United States' welfare systems today. As Gatti and Glyn (2006, p. 311) point out "it is their evolution, not some remorseless economic logic, that will determine the future of the welfare state."

Chapter 2: Historical Context

2.1 Foundational Period

United States

In the seventeenth century, the colonists brought with them to the United States the Elizabethan Poor Laws. Created in England in the late-sixteenth and early-seventeenth century, these laws established the principle of local responsibility for the needy through local churches. This meant that the burden of supervision and monetary responsibility fell on the members of the local community. This burden of responsibility combined with high taxes to pay for those who needed assistance made newly independent Americans dislike these laws from the start. Even though these laws were at times suspended, the new states begrudgingly recognized the need for some sort of support for the poor and needy, leading to the long-lasting existence of these laws (Trattner, 1999).

Although imperfect, the Elizabethan Poor Laws remained virtually unchanged until the Civil War. Beginning in 1862, states began to appropriate funds for the care of veterans and their families. Within the year, the national government followed suit. At the same time, many organizations such as the Sanitary Commission (1861) and the New York State Charities Aid Association (1872) were founded to aid war veterans and their families through private funds (Trattner, 1999). Even though welfare awareness and support generally increased during the time of the Civil War, federal government support was only temporary. Once the Civil War ended, the federal government no longer took responsibility for the organization and funding of welfare programs, leaving all responsibility to the states and private charities. With the states free to design their own welfare laws, different forms of social spending proliferated. In the South, where racist views were prevalent, blacks were often altogether barred from receiving any sort of aid. The federal government did not interfere with any of the states' choices (Trattner, 1999).

After the Civil War, as the economy boomed and the wounds of the recent war began to fade, the idea of Scientific Charity began to grow. Scientific Charity was built on the notion of self-reliance and limited government and fit extremely well with the recently popular concept of Social Darwinism. Together these two ideas led charities to shape social support around "fixing" individuals through discipline and religious education. Although not all Americans believed in these ideas, the general popularity of these concepts altered the public opinion of Americans so that unemployment and poverty became seen as issues of the individual and not of the system. This new attitude, decreased citizens support for any government welfare spending (Trattner, 1999).

Although private agencies continued to provide relief to the poor, their work tried to

“fix” the individual and never addressed the systematic issues of unemployment, poverty, or the income gap directly. Additionally, left over from relief practices enacted during the Civil War, any form of support that individuals received was always temporary. At the end of the 19th century, lacking any form of formalized governmental welfare system, private charities grew to dominate welfare spending in the United States. For example, in 1878 in Philadelphia alone, there were more than 800 private charitable groups (Trattner, 1999).

Sweden

Historically Sweden had been an agricultural society, but in the mid-nineteenth century the country went through a period of industrialization, transforming the country’s economy into an export-oriented manufacturing society. In response to these economic changes, the Swedish government intentionally intervened on a national level by initiating liberal trade reforms within Europe, altering the education system, and assuming the responsibility for the development of country-wide infrastructure (Sjögren, 2008). The reason this was so successful was because the government worked in conjunction with the private industries.

Experiencing the success of the national government’s role in the country’s industrialization, Swedes approved of government intervention in the private sector. This attitude helped lead the way for the acceptance of future compromises between various parties, classes, and interest groups, on both a local and national level. This type of governmental process, known as consensual governance, was most common in the triangular relationships among the government, trade unions and employers’ associations.

To help strengthen the power of the unions within this triangular relationship, in 1898 workers founded the Swedish Confederation of Trade Unions. The Swedish Employers' Confederation was founded only four years later in 1902 (Sjögren, 2008). In addition to their long history, these relationships were made even easier as Sweden has always been a relatively small state (with a population of less than 10 million) and has always had very little ethnic or religious diversity (Alestalo, Hort, Kuhnle, 2009). To further represent the workers in the political arena, the Swedish Social Democratic Party (SAP) was founded in 1889. From the early-twentieth century until today, the Social Democratic Party has dominated the political system in Sweden.

With all these changes going on, Sweden was “politically and intellectually prepared or ripe for state social action” (Alestalo, Hort, Kuhnle, 2009, p. 12). At this time, Sweden's neighbor, Germany, had the most developed social insurance program in the world. In 1884 the Swedish government appointed a committee to study the programs of the German social insurance system. Based on the findings of the committee, Sweden initiated its first welfare program in the form of limited sickness insurance in 1892. Over the next 60 years, Sweden introduced universal and compulsory social security schemes such as industrial accident insurance in 1901, national pensions in 1913, child allowances in 1948 and national sickness insurance in 1955 (Alestalo, Hort, Kuhnle, 2009).

2.2 The American Welfare System Plays Catch Up

In 1929, after years of economic growth, the Great Depression hit the United States causing the worst economic downturn in American history and making many Americans aware for the first time, of the inadequacy of their country's welfare system.

From 1929 to 1933, unemployment rose from 3.2% to 25%. Over the same time period, real Gross National Product declined to 71% of what it had been in 1929 (Himmelberg, 2001). During the same time period, excluding farm families, 34 million Americans were without any income and malnutrition rose to affect 20% of all Americans (Rothbard, 1963). With no federal welfare system in place, the repercussions of the Great Depression on American people in all corners of the country were immense.

In the absence of federal insurance programs, support for the unemployed fell to private agencies. However, with only limited funding and an historical focus on fixing individual weaknesses, the services of the private agencies were nowhere near adequate to feed, clothe or house the millions of Americans who needed assistance. Severely strained and lacking any formalized funding, the majority of these private agencies were forced to close down (Trattner, 1999).

Faced with a collapsed economy, rising unemployment, and an increasingly large starving and homeless population, America's newly elected President Franklin D. Roosevelt was faced with the daunting task of somehow reversing the country's depressed economy and supporting its struggling population. What made Roosevelt different from previous American presidents was his philosophical determination to transform the government's perception of welfare recipients and redefine the market. The appropriation of national funds and the organization of social benefits reflected this recognition that the unemployed, sick, elderly, or those who could not support themselves were not to blame for their situation. And for the first time, with the passage of the Social Security Act, the American government recognized that the invisible hand is not a perfect

economic regulator and, in certain situations, government intervention and protection is necessary (Trattner, 1999).

Therefore to accomplish this, between 1933 and 1938, President Roosevelt enacted the New Deal. Most importantly for the creation of the welfare system was the Social Security Act of 1935.² This act was the first universal national welfare program in the United States, but was based on pre-existing state-level social insurance programs, such as the Wicks Act, which was an unemployment program enacted in 1931 when Roosevelt was the governor of the state of New York (Trattner, 1999). The Social Security Act appropriated funds for old-age assistance (by far the largest public assistance program), unemployment insurance, public assistance to dependent children in single-parent families, public assistance to the crippled and to the blind, and limited public health services.

Although a very important first step for the American welfare system, the Social Security Act appropriated national funds to the states to distribute at their own discretion. Thus, although the Social Security Act was universal in its language, because the funding was at the states' discretion and they could set criteria for who could receive benefits, the act was not necessarily universal in its application (Social Security Act of 1935). For

² Of course there are many other important programs in addition to the Social Security Act that made up the New Deal including the Civilian Conservation Corps (which provided work relief for young men), the Federal Emergency Relief Administration (which provided states with funding for unemployment relief), the Civil Works Administration (which created direct federal relief work for the unemployed), the Works Progress Administration (which provided mostly blue-collar jobs for the unemployed to carry out public work projects), The Wagner Act (which guaranteed rights of workers to organize in unions and engage in collective bargaining). Over the period of the New Deal, the economy recovered drastically. In 1939 after all of the New Deal policies were enacted, GNP surpassed 1929 levels by 7% and unemployment fell to 17% (Himmelberg, 2001).

example, in segregated states, minorities, especially blacks, did not receive adequate support. Additionally, by being universal, benefits were not means tested. This meant that cash benefits were not based on need, but were instead based on the past earnings of the individual or family (Katz, 2010).

In addition to the benefits outlined in the Social Security Act of 1935, the act also laid out new taxes for the American people. These taxes took two forms: an income tax on the employee and an excise tax on the employer. In practice, however, the employee felt the greatest impact. In response to the costs of the excise tax, employers could increase their prices, but employees did not have the option of increasing their wages to cover the cost of the income tax. As a result, employees faced both the costs of their own income tax plus the cost of the employer's excise tax in the form of increased prices (Social Security Act of 1935). Since the impact of these taxes fell disproportionately on the employees, the income gap grew.

Although Roosevelt's initial goal was to protect his population and reverse the recent economic downturn through the development of a federal welfare system, he was forced to compromise within his own government. As a result, the outcome was quite different from the newly developing European systems. In contrast to the Swedish system for example, the U.S. welfare programs developed inequalities inherent in the organization of the system.

2.3 The Golden Age and The Great Society Years

Sweden

Although the Great Depression was felt most dramatically in the United States, its effects spread worldwide. In response to this economic crisis, the Swedish government, which historically leaned towards Keynesian policy measures, moved to adopt state intervention as an integral part of its economic policy. Although the Swedish Social Democratic Party had been established at the end of the 19th century, the party's philosophy of a mixed economy truly gained dominance during the period of the 1930s to 1970s (Sjögren, 2008).

Thus, Keynesian economic ideas, which relied on interventionist social measures for economic stability and growth, went hand in hand with the Social Democrat's "stable party government operating with a bias towards consensus" (Sjögren, 2008, p. 45). As a result, the Social Democrats were able to form "The Middle Way" where the government sets macroeconomic goals and regulates the market. The core goals of this model are: full employment (unemployment levels of 1.5-2.5%), low inflation (under 3%), high degrees of cyclical stability, zero or positive balance of payments, growth of the public economic sector, no visible structural imbalances between economic sectors, annual growth rates at about 4% and a solidarity-based wage policy³ (Sjögren, 2008). As a result of this "Middle Way" from 1930 to 1950, Sweden experienced the highest economic growth rate among industrialized countries. Because of these high levels of growth this period became

³ The solidarity-based wage policy does three unique things for the Swedish economy. First, it aims to eliminate the gender wage gap by introducing equal pay for equal work. Secondly, it closes the gap between high and low wage earners by increasing wages for low wage earners. Lastly, it allows workers to benefit from productivity growth by tying wage increases to increases in productivity so that wage growth is 0.5% less of the economy wide average productivity growth.

known as the Golden Age (see Table 1). This period was marked with an incredible increase in the standard of living for the working class, a decrease in the difference of income between classes and allowed the government to enact egalitarian policies such as almost full income compensation for social services such as unemployment, sickness and child care (Sjöberg, n.d.)

Table 1: Annual Growth in GDP per Capita (%)

Years	Sweden	United States
1500-1820	0.17	0.36
1820-1870	0.66	1.34
1870-1913	1.46	1.82
1913-1950	2.12	1.61
1950-1973	3.07	2.45
1973-1998	1.31	1.99

Source: Madisson, 2007, table B-19, p. 262

In addition to the country's high levels of growth during the Golden Age, Sweden's public sector workforce also expanded dramatically, growing from 4.7% of total employment in 1937 to 30.3% in 1980 (see Table 2). Because of the increasing growth rate and in turn the decreasing unemployment rate, the growth of the public sector came from those who were previously voluntarily unemployed, most notably, women who had previously worked in the household. This meant that now these women were economically valued so that they were now receiving salaries and more importantly, being taxed (Steinmo, 2002). It is important to note that these women were able to leave the home because of Sweden's extensive benefits including guaranteed childcare and

education, paid maternity leave and vacation. Expanding the public sector to increase the country's working population was just one of the many ways Sweden used these years of economic success and stability to ensure egalitarian policies that would benefit the entire population for years to come.

Table 2: Government Employment: Sweden, 1870-1994 (% of total employment)

Years	Government Employment
~1870	2.2%
1913	3.5%
1937	4.7%
1960	12.8%
1980	30.3%
1994	32.0%

Source: Steinmo, 2002, p. 20

The United States

From the 1930s through the early 1970s, the United States also experienced a period of economic growth even though it was not as impressive as the growth rate in Sweden (see Table 1). In the 1960s, President Lyndon Johnson introduced the social reforms under the Great Society programs, headlined by the fight for civil rights and a public war on poverty. With Democrats in the majority, the government passed the Economic Opportunity Act and initiated the Peace Corps and Head Start programs.⁴ But

⁴ The Economic Opportunity Act provided funding for Community Action Agencies, which set up programs for low-income individuals including student work-study and adult education classes. The Peace Corps is a program that sends U.S. citizens abroad to initiate poverty reducing programs including setting up schools and hospitals. Head Start provides government subsidized pre-school programs for low-income children.

the real impact, both positive and negative, on welfare programs came with two amendments to the Social Security Act. Stepping in for the first time to guarantee medical care for some Americans, Congress passed The Social Security Amendments of 1965 creating Medicare to provide health insurance for the elderly and Medicaid to support health insurance for poor families. However moving in the opposite direction, the Social Security Amendments of 1965 also removed Aid to Dependent Children from the Social Security Act and created instead Aid to Families with Dependent Children (AFDC). AFDC is what most people in the United States refer to today simply as “welfare.” Separating family aid from social security was a major change that cemented the distinction between social security and public assistance (what most people call welfare). As discussed later in the paper, this distinction would allow the government to change family aid regulations and appropriations without impacting social security (Katz, 2010).

President Johnson used this period of economic growth to expand the welfare system by his war on poverty and inequality. However, without cooperation in the government like that seen in Sweden, enacting these policies came at a price. Going against Johnson, conservative policy makers used this period of economic stability and growth to retract earlier welfare policies believing that they were no longer necessary and only a source for abuse. Most notably was the creation and immediate separation of AFDC from Social Security, which in turn with reduced taxes and expenditures, left the U.S. safety net non-existent and made the welfare system extremely vulnerable to the future.

2.4 International Attack on the Welfare State

Although welfare systems in both the United States and Sweden expanded the scope of benefits to their citizens and addressed social issues such as poverty and unemployment, for the past 40 years welfare in both countries has been under attack. Reviewing history, this attack on the welfare system is likely a result of multiple factors including two worldwide recessions caused by oil price hikes in the 1970s, globalization, increasing popularity of neo-liberalism and Reaganomics and the declining power of the working class.

The worldwide recessions caused by oil price hikes led to a decrease in economic output throughout the world. Sweden and the United States were no exception. However with the newly popular conservative economic ideals, both countries ignored the oil crisis and instead blamed their economic downturns on their welfare systems. In turn politicians in both Sweden and the U.S. reduced social benefits over the next twenty-year period, believing that this would return their economic output to the previously high levels.

United States

Ronald Reagan, president from 1981 to 1989, believed in supply-side economics. Reaganomics featured a combination of reduced government spending on social programs, increased military spending, termination of government regulations and tax cuts, especially for the wealthy. Reagan believed strongly in self-sufficiency and encouraged this norm throughout his policies. Over this period, President Reagan claimed that lowering taxes and cutting social spending would not only help spur

economic growth, but would also decrease unemployment and poverty. Under this neo-liberal approach, Reagan believed that self-sufficiency and the power of the invisible economic hand would fix the problems that he believed social spending was exacerbating (Trattner, 1999). However, as seen in figure 3, over the period of Reagan's presidential terms, the poverty rate in fact increased.

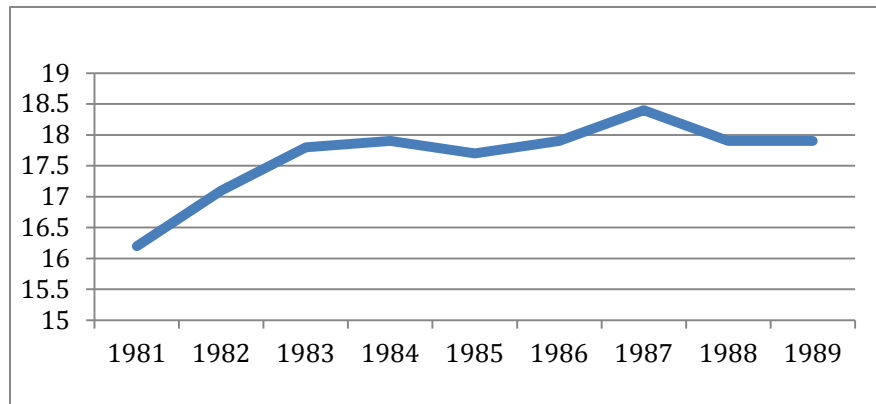


Figure 3: Percent of Americans Living Below the Poverty Line (after taxes)
Source: OECD (see data appendix for details)

Key to Reagan's welfare policies was removing welfare from the responsibility of the national government and returning the responsibility to the states, a position that reversed the New Deal's intention to nationalize social safety nets. Reaganomics also erased the New Deal's message that economic assistance was a citizen's right and returned to the philosophy that economic need was a problem that lay with the individual who could not find work or feed his family (Trattner, 1999). Although Reagan started the attack on the welfare system, the attack did not end when he left office.

In 1996 the Personal Responsibility and Work Reconciliation Act was passed with bipartisan support in both the House and the Senate and signed into law by President Bill Clinton, who was significantly, a Democrat. This legislation changed welfare in the United States in two ways. First, it required those on public assistance to have or be

actively looking for a job. Secondly, it replaced AFDC with a program called Temporary Assistance for Needy Families (TANF) which further limited the scope of welfare provisions by setting a lifetime limit for benefits of five years and making legal immigrants who had lived in the U.S. for less than five years ineligible for any benefits. This legislation reflected the growing public hostility towards public assistance and a loss of the belief that a social safety net was a citizen's right (Katz, 2010). In addition, while only thirty years earlier, Democrats such as Roosevelt and Johnson fought for the expansion the welfare system, now the attack on the welfare system was bipartisan. This demonstrated that the conservative mentality highlighting the negativity of welfare was so engrained in the American mindset that even the Democratic "middle way" was a retrenchment of the already limited system.

Over the next ten years, as the number of welfare recipients in the United States decreased by 50%, supply siders credited the success of the Clinton legislation in moving people from welfare to work. Based on these results, President George Bush signed into law in 2005 the Deficit Reduction Act, which imposed even tougher requirements to receive public assistance. However, no evidence supports a direct correlation between these stricter welfare requirements and a decline in the welfare rolls. In fact, data shows that the decline was more likely the result of job growth in a strong economy and individuals who were discouraged from even applying for welfare because of the strict requirements. As Katz (2010 p. 512) explains "some researchers estimated that at most 10 percent to 20 percent of former welfare recipients earned enough to leave poverty permanently."

Sweden

Sweden was also forced to respond to the impact of global economic forces. During the 1970s and 1980s the world economy was undergoing major changes so that Sweden's export manufacturing industries (mining, steel, shipbuilding and automobile) were all hit by growing competition from developing Asian countries. Because of the economy's dependence on its manufacturing sector and increased competition from abroad, the country's economy faced structural problems. To better diversify its economy and deal with the pressure of the period's decline in economic growth, the Swedish government borrowed excessively. However instead of helping the situation the interest rates of these loans only furthered the country's budget deficit (Sjögren, 2008). In addition to hurting the Swedish economy this economic downturn also hurt the Swedish population. With increased competition from abroad, unemployment in the country increased, which led to increasing demands for government support. To meet these demands, Sweden increased their taxes so that by 1990 taxes were more than 60% of the country's GDP (Steinmo, 2002).

With the economic situation not improving, the Swedish government attempted a new approach to cure the economic situation. Following the popular supply side economics in 1991 the Swedish government passed the Tax Reform of the Century, which substantially reduced both income and corporate tax rates for all taxpayers. However instead of helping the situation, this too only made it worse. When an economic crisis caused by the collapse of the property market hit the country in 1993 to 1994, the tax reform exacerbated the crisis. With the lower taxes, the government did not have the resources to pay for the increase demand for government benefits. As a result, the crisis

was more of a drain on the economy than it would have ever been with the higher tax levels. Consequently the country's deficit grew to 13% of its GDP (Steinmo, 2002).

Based on the government decisions over the past thirty years many claim today that Swedish policy makers have been deviating from the ideal of equality that used to be held so highly. Interestingly though, although the policy makers may be diverging from the Swedish ideal, "survey after survey has shown that while Swedes (like virtually all citizens in modern welfare states) agree that taxes are too high, only a minority of citizens support tax cuts if they are forced to choose them in exchange for reductions in public spending" (Steinmo, 2002, p. 15).

Starting with the "Middle Way", the international attack on the welfare system based on neoliberal economics has caused Swedish policy makers to deviate from these egalitarian policies. However, high taxes (as compared to the U.S. and other industrialized countries) and a general mindset of the importance of equality, common in the Swedish population demonstrate that the welfare system is still stronger in Sweden than many other advanced industrialized countries. In comparison, the United States never focused on the importance of equality, but instead highlighted the importance of hard work and independence. This led the U.S. to only attempt to nationalize welfare when it was forced to such as in response to the Civil War and the Great Depression. Yet compared to other industrialized countries these attempts at a nationalized welfare system were just drops in the bucket. This half-hearted creation of the welfare state has left the system inadequate and unable to form as a safety net and has instigated a very negative connotation of the system among most American people and policy makers.

Chapter 3: Net Social Wage

3.1 Literature Review

After understanding the historical context of the welfare system in the United States and Sweden, we now turn to develop a measurement to accurately compare the two country's clearly distinct welfare systems. The mainstream economics methodology on the social impact of state taxation and spending is limited in its presence and flawed in its application. The first reason this methodology is flawed is because it groups individuals by income and not by social class. This combines people who derive their income from labor with people who derive their income from property ownership, which is problematic as it obscures the distinction between workers and capitalists. The second problem with the mainstream methodology is that it treats all government spending as having equal benefits for the working class. This is an issue as not all government spending benefits all Americans equally. For example military spending, which directly or indirectly benefits many of these capitalists does not positively benefit the working class in the same way that other forms of spending such as spending on education or health care does (Szamuely, 1990; Brady, 2005).

In response to this limited conservative methodology, political economists developed new ways to measure the growth of the welfare state and its impact on the working class. Unlike mainstream economists, political economists split individuals into groups by social class, thus separating workers from property owners. In addition, they focus only on the government spending that benefits workers directly, therefore excluding expenditures such as military spending (Bowles & Gintis, 1982; Fazeli &

Fazeli, 2012; Maniatis, 2013; 1993; Miller, 1989; Shaikh, 2003; Shaikh & Tonak, 2000; 1987; Therborn, 1984).

There are two distinct methodologies of the new measurement of the social impact of a welfare state. The first methodology looks at the benefits worker's receive, but ignores the taxes that they pay. These measurements are known as the "citizen wage" or "social wage" (Therborn, 1984). Although this methodology moves in the right direction as it separates workers from property owners and only counts social spending that directly benefits workers, it overestimates the benefit worker's receive from the state because it does not account for the taxes that they pay.

The second methodology provides a more complete picture by accounting for both social expenditures on workers and taxes paid by workers. This more inclusive method provides us with the difference between spending on workers and taxes paid by workers and so is called the "net social wage." Anwar Shaikh and Ahmet Tonak (2000; 1987) are the pioneers of the net social wage methodology. In a series of studies they found the net social wage to be negative in the United States for most of the postwar period, excluding a few years of economic crisis when the net social wage became positive. This means that according to their calculations the workers paid more in taxes than they received from the state in benefits (Shaikh, 2003; Shaikh & Tonak, 2000; 1987).

In an earlier study, Sam Bowles and Herbert Gintis (1982) employ a variant of the net social wage measurement to examine who pays for the welfare system in United States in the postwar period. However contrary to Shaikh and Tonak's findings, Bowles and Gintis found a high and growing net social wage over the postwar period. This meant

that workers received more in benefits than they paid in taxes. Although these findings seem to contradict one another, work by John Miller (1989) and Thanasis Maniatis (2013) show that Bowles and Gintis's methodology has errors that explain their inverse results.

First, as Miller (1989) explains Bowles and Gintis underestimate the number of working individuals within each U.S. household, assuming each household has one worker with three dependents. However, in reality in 1977, when this study was conducted, the average household had 1.2 workers per household. This miscalculation underestimates the taxes paid and overestimates the social welfare received. In addition, as Maniatis (1993) points out, Bowles and Gintis exclude all state and local taxes in their study, only accounting for federal taxes. This further underestimates the amount of taxes workers pay.

Once these errors are accounted for, the agreement among the net social wage literature is that in the postwar period from 1952 to 2000, the net social wage in the United States has been negative. That is, the workers have been paying more in taxes than they have been receiving in benefits (Maniatis, 2013; 1993; Miller, 1989; Shaikh, 2003; Shaikh & Tonak, 2000; 1987).

While most of these studies have focused on the U.S., studies that have looked at the net social wage in other countries further debunk the conservative critique that welfare systems are a burden on the economy. This is supported by findings of negative or positive and small net social wages in multiple welfare states. Most pertinent for our study is a dissertation by Maniatis (1993) that found an average zero net social wage for Sweden from 1963 to 1985. In addition, other studies have found positive but low net

social wages in Australia, Canada, Germany and Sweden (1952 to 1987) (Fazeli & Fazeli, 2012; Shaikh, 2003) and a negative net social wage in the U.K and New Zealand over the same time period (Maniatis, 2013).

3.2 Methodology

In this thesis, I apply the net social wage methodology developed by Shaikh and Tonak to the United States and Sweden from 1962 to 2012⁵. Conducting an up to date net social wage for both the U.S. and Sweden is important since the last year the majority of these studies were conducted was 1987 (Maniatis, 1993; 2013; Shaikh, 2003) with the most up to date study going only to 2006 (Fazeli & Fazeli, 2012). In the U.S. this expansion is especially important because of the recent financial crisis felt in the country, which could have severely affected the welfare system.

In addition, I will be adding indirect business taxes to the net social wage measurement. An indirect tax is any tax on a good or service that is collected by an intermediary, such as a retail store, from the individual who bears the burden of the tax, which is most typically the consumer. Although Shaikh and Tonak (1987; 2000) claim that indirect taxes should be excluded from the net social wage calculation because they do not flow directly from labor, most other economists calculating the net social wage include indirect taxes (Akram-Lodhi, 1996; Maniatis, 2013; Sefhri & Chernomas, 1992). They justify the inclusion of indirect taxes based on the definition of the tax itself. Under the definition, because the consumer bears the burden of the tax, even though the tax is not imposed on labor income directly, it is never the less felt by the consumer.

⁵ Calculations for Sweden begin in 1965 because that is the first year of published tax information for Sweden.

As figure 4 and figure 5 demonstrate the difference between the amount of taxes paid by workers when indirect taxes are and are not included is somewhat substantial. However as can be seen in figure 4 and figure 5, the trend of taxes paid by workers in both countries is similar in both situations except for an upward shift. Overall, I include indirect taxes because by definition they are felt by the consumer and so are included in other important studies of net social wage (Akram-Lodhi, 1996; Sefhri & Chernomas, 1992). Additionally, since they do not dramatically alter the tax trend, other than a slight shift upwards, their inclusion is justified. So for the remainder of the thesis whenever taxes are discussed indirect taxes should be assumed to be included.

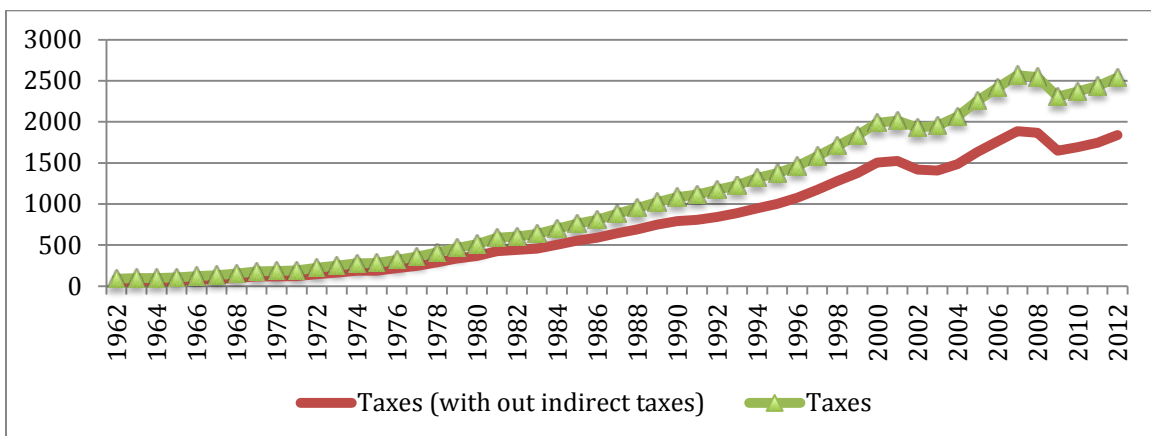


Figure 4: Taxes in the United States (billions of U.S. dollars)
Source: BEA, NIPA (see data appendix for details)

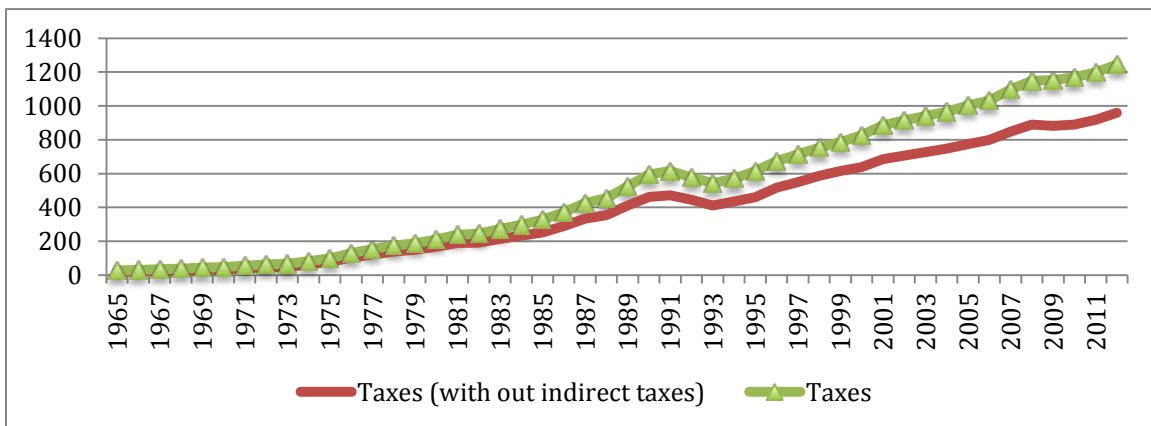


Figure 5: Taxes in Sweden (billions of Swedish kronor)
Source: OECD (see data appendix for details)

To calculate the net social wage, I collected for the United States from the U.S. Bureau of Economic Analysis and the Organization for Economic Cooperation and Development (OECD) website and for Sweden from Statistics Sweden historical yearbooks and the Organization for Economic Cooperation and Development (OECD) website. To find how the net social wage has changed in the two countries over time, I calculated the net social wage for a 50-year period from 1962 to 2012⁶.

Further, the primary focus of this study is “the extent to which the state’s involvement in taxation and expenditures serve to redistribute a portion of the nation’s surplus product to, or from, the working class” (Shaikh & Tonak, 2000 p. 248). To do this, we define the category of the working class as members of the population who do not have ownership of capital as their primary source of income. Focusing specifically on the working population is important because, the neo-liberal assumption holds that a welfare state is a drain on the economy and is funded by redistribution from the state and the capitalist class (Moudud & Zacharias, 1999). However, the direction of the net social wage will demonstrate that the government and capitalist class are not subsidizing worker’s benefits and in turn that this mainstream critique against welfare states is unwarranted.

I start by calculating the government expenditures on labor. I split state expenditures into two categories to account for the expenditures directed solely towards workers and those directed towards both workers and non-workers alike:

⁶ Again, Sweden data begins in 1965. See footnote 5 for an explanation as to why.

1. **Worker Benefits (E1)** includes income support, social security and welfare, housing and community services, labor training and services. These benefits are assumed to be received entirely by the workers.
2. **Conventional Benefits (E2)** includes education, health and hospitals, recreational and cultural activities, energy, natural resources, postal service and transportation. These benefits are assumed to be received by both the workers and non-workers, so the amount of benefits going to workers is calculated by multiplying the group total by the labor share (LS) in personal income.⁷

To calculate expenditures totally allocated to labor I will then add E1 to E2 times labor share or $E1 + E2 * LS$.

I then calculate the contribution of the workers to taxes. For the tax side of the equation I will split the tax revenues into three categories:

1. **Social Security Taxes (T1)** includes contributions for social insurance plus payroll taxes. These taxes are only applied to workers.
2. **Personal Taxes (T2)** includes personal income (both federal and state), motor vehicle and licenses, property, and other taxes. These taxes fall on both workers and non-workers, so the amount of taxes paid to workers is calculated by multiplying total personal taxes by the labor share (LS).

⁷ I'm multiplying by labor share (LS) because there is no division of benefits between workers and non-workers. Thus, I'm estimating the workers' share of expenditures by multiplying all expenditures times the country's labor share. As I explain below, there is also no measurement of the workers' share of taxes paid so to find the share of taxes paid by workers I will also multiply total taxes by labor share.

1. **Indirect Taxes (T3)** includes value-added and sales taxes. These taxes fall on both workers and non-workers and so the amount paid by workers is calculated by multiplying total indirect taxes by the labor share (LS).

To calculate taxes totally allocated to labor, I then add T1 to T2 times labor share plus T3 times labor share or $T1+(T2*LS)+(T3*LS)$.

After having collected all of the data on worker's expenditures and taxes as explained above I calculate the net social wage by subtracting total taxes on labor from total expenditures on labor. In other words, net social wage can be found as follows:

$$NSW=(E1+(E2*LS))-(T1+(T2*LS)+(T3*LS))$$

Where NSW is net social wage and other variables are described before.

Table 3 and table 4 below show the detailed calculations of the net social wage for the year 2000 for both the United States and Sweden⁸.

Table 3: Net Social Wage for the United States, year 2000 (billions of U.S. dollars)

	Expenditure Group I: Entirely Allocated to Labor (E1)	1091.90
NIPA table 3.12 lines 4-40 (minus lines 14, 16-20 and 26)+NIPA table 3.15.5, line 35	Social Security, welfare and income support	1057.80
NIPA table 3.15.5, line 26	Housing and community services	33.10
NIPA table 3.12, line 41	Employment and training	1.00
	Expenditure Group II: Partially Allocated to Labor (E2*LS)	576.01
NIPA table 2.1, line 1/2	Labor Share	0.68
	Expenditure Group II Total (E2)	849.06
NIPA table 3.15.5, line 29	Education	536.00
NIPA table 3.15.5, line 27	Health	109.70
NIPA table 3.15.5, line 28	Recreation and culture	28.10
NIPA table 3.15.5, line 22	Energy	22.10
NIPA table 3.15.5, line 23	Natural Resources	29.10
NIPA table 3.15.5, line 24	Postal Services	4.50
	Passenger Transportation = transportation x GCONS	119.56
NIPA table 3.15.5, line 13	Transportation	170.80
Shaikh & Tonak, 2000	Transportation (*gas consumption of laborers)	0.70
	E1+E2*LS = Total benefits and income received by labor	1667.91

⁸ Data for the year 2000 is shown here because this is the most recent pre-crash year. However, data for all years for both the U.S. and Sweden can be found in the appendix.

	Tax Group I: Paid Entirely by Labor (T1)	669.80
NIPA table 3.6 lines 2-31 (minus lines 14, 16, 26 and 30)	Contributions for social insurance	669.80
	Tax Group II: Partially Allocated to Labor (T2*LS)	836.01
NIPA table 2.1, line 1/2	Labor Share	0.68
	Tax Group II Total (T2)	1232.30
	Total income taxes = federal + state and local income taxes	1213.00
NIPA table 3.4, line 2	Federal income taxes	995.60
NIPA table 3.4, line 9	States & local income taxes	217.40
NIPA table 3.4, line 12	Other Taxes	3.10
NIPA table 3.4, line 10	Motor Vehicle and licenses	11.40
NIPA table 3.4, line 11	Personal Property Taxes	4.80
	Tax Group III: Partially Allocated to Labor (T3*LS)	480.72
NIPA table 2.1, line 1/2	Labor Share	0.68
	Tax Group III Total (T3)	708.60
NIPA Table 1.10, line 7	Indirect Taxes	708.60
	T1+T2*LS+T3*LS = Total taxes paid by labor	1986.53
	Net Social Wage = Total benefits and income received by labor - Total taxes paid by labor (E1+E2*LS) - (T1+T2*LS+T3*LS)	-318.62

Source: See data appendix for details

Table 4: Net Social Wage for Sweden, year 2000 (billions of Swedish kronor)

	Expenditure Group I: Entirely Allocated to Labor (E1)	315.85
SCB, State expenditure (current budget) by purpose table, "socialvård och socialförsäkring"/"socialförsäkring och social välfärd"/"social trygghet"	Social Security, welfare and income support	239.80
SCB, State expenditure (current budget) by purpose table, "bostadspolitik och samhällsplanering"/"bostadspolitik samhällsplanering och lokaliseringpolitik"	Housing and community services	7.54
SCB, State expenditure (current budget) by purpose table, "andra samhälleliga och sociala tjänster"+"ekonomiska tjänster"/"näringslivsfrågor"	Other economic services	68.51
	Expenditure Group II: Partially Allocated to Labor (E2*LS)	47.96
OECD, Labor Share	Labor Share	0.67
	Expenditure Group II Total (E2)	71.199
SCB, State expenditure (current budget) by purpose table, "undervisning"/"utbildning"	Education	44.83
SCB, State expenditure (current budget) by purpose table, "hälsovård"/"hälso och sjukvård"	Health	18.79
SCB, State expenditure (current budget) by purpose table, "kultur rekreation"	Recreation and culture	5.41
SCB, State expenditure (current budget) by purpose table, "energi"	Energy	---
SCB, State expenditure (current budget) by purpose table, "Miljöskydd"	Environment	2.17
SCB, Post office: revenue and expenditure table, expenditure	Postal Services	---
SCB, State railways: revenue, expenditure and financial results	Railways	---

	E1+E2*LS = Total benefits and income received by labor	363.81
	Tax Group I: Paid Entirely by Labor (T1)	357.24
OECD, Tax Statistics Sweden, 2000 Social security contributions	Contributions for social insurance	307.10
OECD, Tax Statistics Sweden, 3000 Taxes on payroll and workforce	Payroll Taxes	50.15
	Tax Group II: Partially Allocated to Labor (T2*LS)	281.28
OECD, Labor Share	Labor Share	0.67
	Tax Group II Total (T2)	417.59
	Total income taxes = federal + state and local income taxes	368.79
OECD, Tax Statistics Sweden, 1110 National income tax individual	Federal income taxes	32.49
OECD, Tax Statistics Sweden, 1110 Local income tax individual	States & local income taxes	336.30
OECD, Tax Statistics Sweden, 5113 Other	Other Taxes	1.48
OECD, Tax Statistics Sweden, 5211 Paid by households: motor vehicles	Motor Vehicle and licenses	7.43
OECD, Tax Statistics Sweden, 4000 Taxes on property	Personal Property Taxes	39.89
	Tax Group III Labor Total: Partially Allocated to Labor (T3*LS)	188.23
OECD, Labor Share	Labor Share	0.67
	Tax Group III Total (T3)	279.45
OECD, Tax Statistics Sweden, 5100 Taxes on production, sale, transfer, etc.	Indirect Taxes	279.45
	T1+T2*LS+T3*LS = Total taxes paid by labor	826.76
	Net Social Wage = Total benefits and income received by labor - Total taxes paid by labor (E1+E2*LS) - (T1+T2*LS+T3*LS)	-462.95

Source: See data appendix for details⁹

Chapter 4: Results

4.1 The Case of an Increasing Net Social Wage: The United States

In United States the results show a negative net social wage from 1962 to 2001 (See Figure 6). These results are in line with empirical studies that have found the net social wage in the United States from the 1950s to 2000 to be negative (Bowles & Gintis, 1982; Miller, 1989; Shaikh, 2003; Shaikh & Tonak, 2000; 1987). However, this updated

⁹ All NIPA, BEA taxes were compared to OECD taxes for the United States. Because tax rates were extremely similar, only NIPA, BEA data was used and is shown here.

data shows a fundamental change since 2002, when many of these studies ended. In fact from 2002 to 2012, the net social wage for the U.S. has been positive and in fact quite large (see figure 6). This occurred because although both the taxes and benefits rose over this time period, the former rose quicker than the latter (see figure 7).

Figure 7 also helps to explain the spike in net social wage after 2001. In response to the international financial crisis beginning in 2001, the number of individuals who required government assistance and the amount of benefits each individual needed increased. In addition, Bush tax cuts in 2001 and 2003 led to a decrease in taxes over the same time period. The combination of an increase in social expenditures due to the recession and a decrease in taxes due to the Bush tax cuts, led to this dramatic spike in net social wage.

Another way of looking at net social wage is by comparing it to its share of GDP. As seen in figure 8, up until 2001, the net social wage was a negative share of GDP. However after the recession of 2001, the cost of redistribution seemed to contribute to the toll on the economy because of the positive net social wage. What is important to point out however is that the recession occurred before the net social wage became positive. Thus a positive net social wage was a consequence of the economic downturn and not, as many mainstream economists claim, the cause of it (Fazeli & Fazeli, 2012).

The recent positive and growing net social wage validates the incapability of a welfare system that is based on the ideals of independence and self-sufficiency. By using economic success as a pretense to cut both benefits and taxes, the United States is almost always left with a non-existent safety net. At the same time, the country's goal of self-sufficiency causes policy makers to repeatedly call for limited expenditures on social

services. However backfires as the limited scope of benefits causes individuals to become stuck in a cycle of poverty and in turn become more reliant on the welfare system.

Contradictory then to the neoclassical claim that a large welfare system is a drag on the economy, the lack of a safety net and the high number of dependent beneficiaries causes the limited welfare system in the United States to actually be much more detrimental to the economy, especially in the time of crisis, than a large welfare system is.

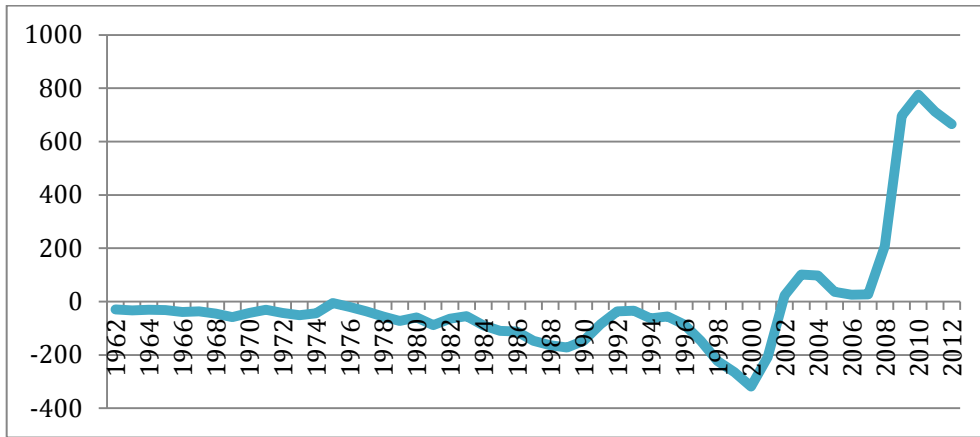


Figure 6: Net Social Wage in the United States (billions of U.S. dollars)
 Source: BEA, NIPA (see data appendix for details)

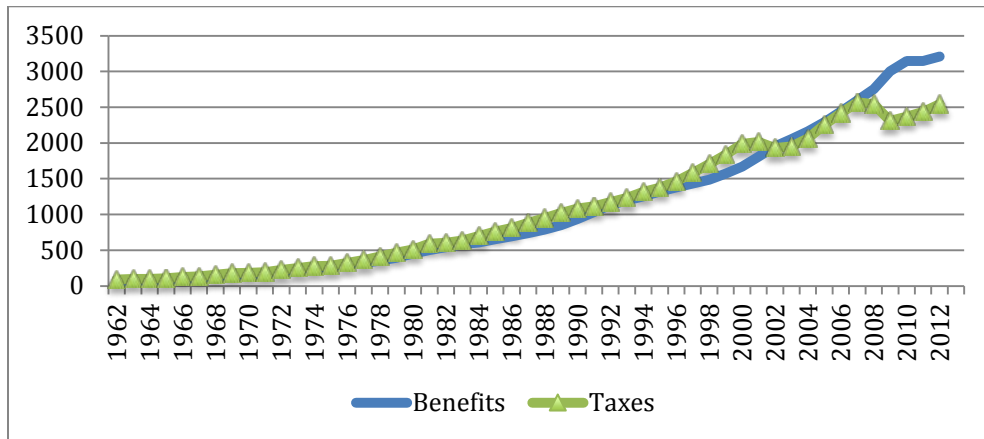


Figure 7: Benefits and Taxes in the United States (billions of U.S. dollars)
 Source: BEA, NIPA (see data appendix for details)

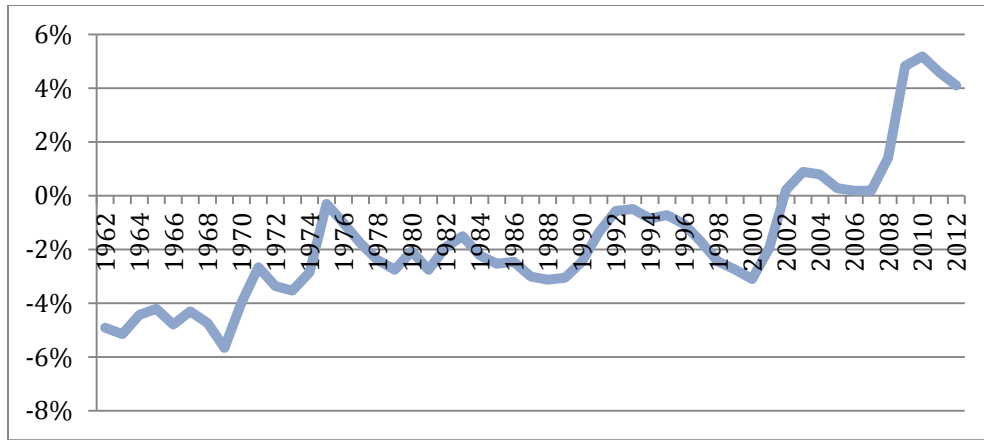


Figure 8: Net Social Wage as a Percentage of GDP in the United States
 Source: BEA, NIPA (see data appendix for details)

4.2 The Case of a Decreasing Net Social Wage: Sweden

In Sweden, instead of an increasing net social wage like we see in the United States, the net social wage has actually been decreasing over the same time period (see figure 9). In the immediate postwar period, both the United States and Sweden experienced negative net social wages because both countries' taxes increased faster than their expenditures. However, unlike in the U.S., in recent years, Sweden's net social wage has actually been decreasing further. This is because in recent years, even during times of economic success Sweden kept their tax levels high, leading to a further divergence between taxes and expenditures (see figure 10).

As with the United States, comparing Sweden's net social wage to its share of GDP provides us with a strong comparison of the welfare system in relation to the country's economy. As seen in figure 11, the net social wage has been a negative percentage of GDP in Sweden over the entire time period since 1965. This demonstrates, that instead of being a drag on the economy, workers have in fact been contributing to it. Although net social wage as a percentage of GDP was negative over this entire time

period, beginning in the 1980s, the net social wage as a percentage of GDP decreased even further. This occurred because due to the international attack on the welfare state Sweden began to reverse their redistributive policies in order to appease the world community. However, unable to fully let go of their egalitarian ideals, the tax levels remained high. Thus, the decreasing expenditures combined with high tax rates led to a negative and decreasing net social wage, which has continued to be a negative percentage of GDP.

Thus, contrary to conservative critiques, Sweden’s negative and further decreasing net social wage demonstrates the strength of a large welfare system. By using periods of economic growth and stability to increase taxes, the Swedish system has guaranteed a cushion of protection. In addition, the country’s large scope and equal access to welfare allows all Swedish citizens equal opportunities to provide for themselves and escape a cycle of poverty. Thus, the country’s history of egalitarian policies bolstered by the egalitarian beliefs held by the country’s population has constructed a welfare system that is protective of all of its citizens, especially in the time of crisis.

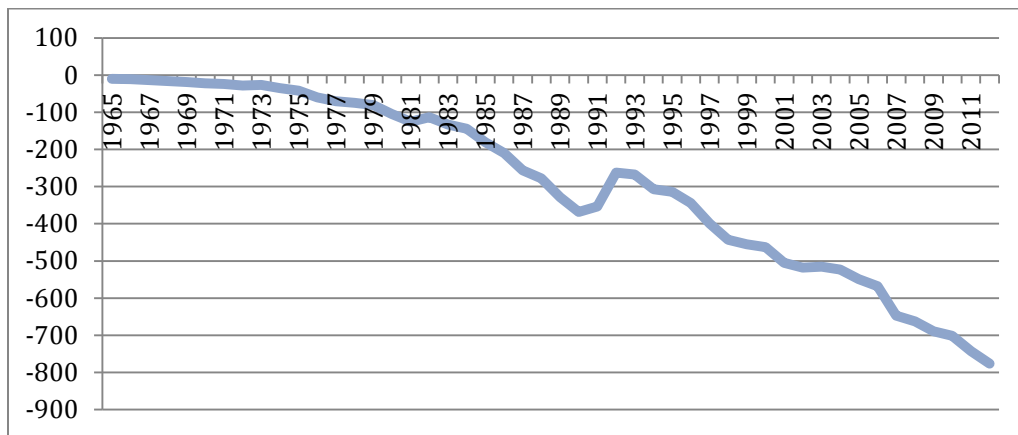


Figure 9: Net Social Wage in Sweden (Billions of Swedish Kronor)
 Source: Statistics Sweden and OECD (see data appendix for details)

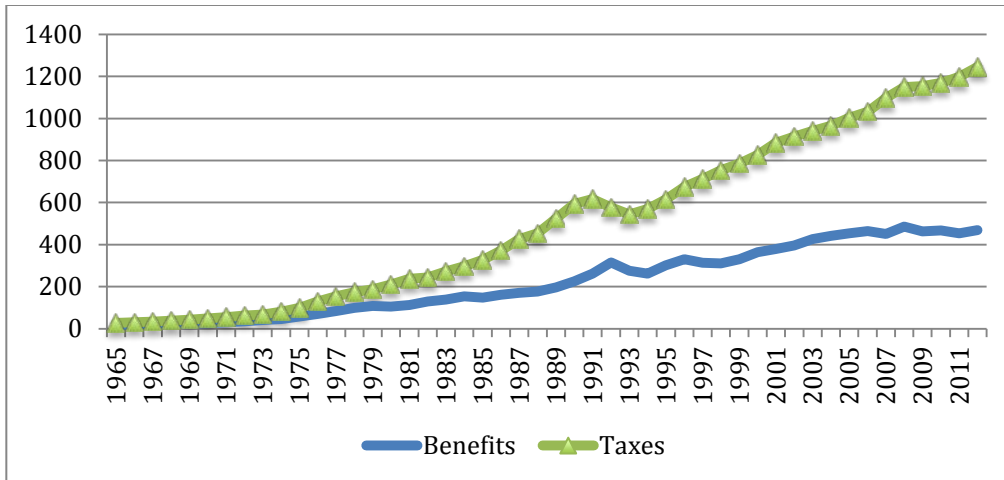


Figure 10: Expenditures and Taxes in Sweden (billions of Swedish kronor)
 Source: Statistics Sweden and OECD (see data appendix for details)

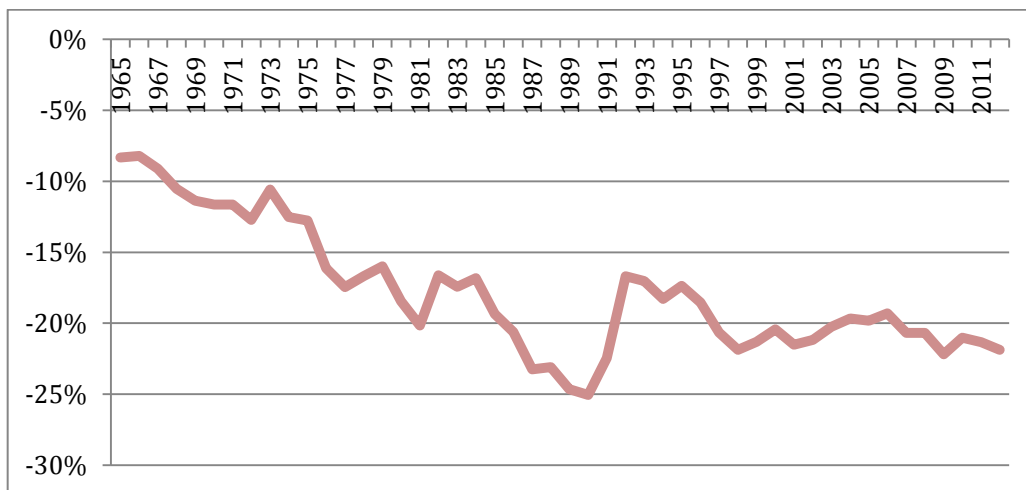


Figure 11: Net Social Wage as a Percentage of GDP in Sweden
 Source: Statistics Sweden and OECD

4.3 Comparison of Expenditures and Taxes

By comparing the net social wage as a percentage of GDP in Sweden and the U.S. we can see that the net social wage in the two country's have been diverging over time (see figure 12). To understand whether this divergence in the net social wage is due to a difference in the specific type of taxes or expenditures I compared each country's expenditures and taxes for the year 2000.

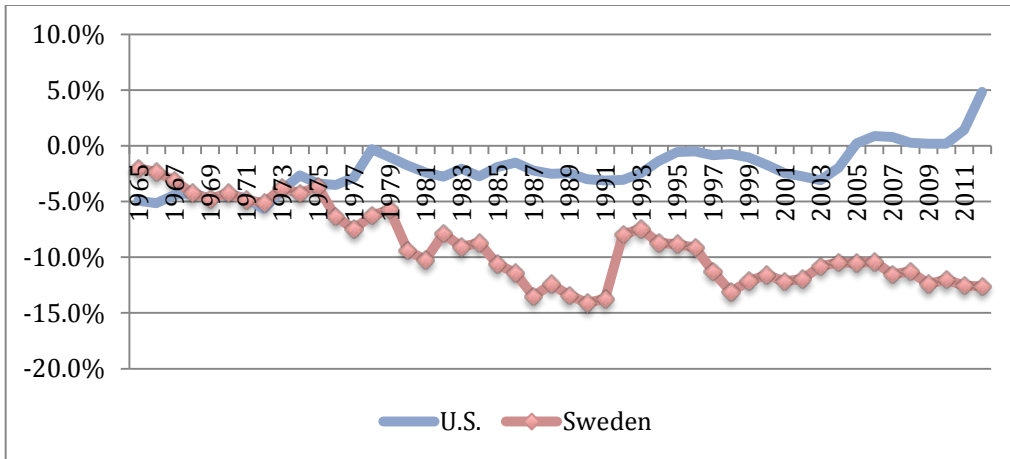


Figure 12: Net Social Wage as a Percentage of GDP in U.S. and Sweden
 Source: See data appendix for details

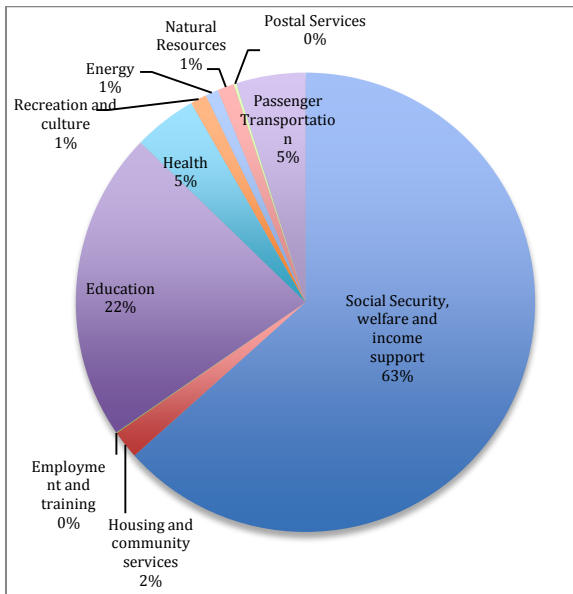


Figure 13: Share in Total Expenditures in the United States
 Source: BEA, NIPA (see data appendix for details)

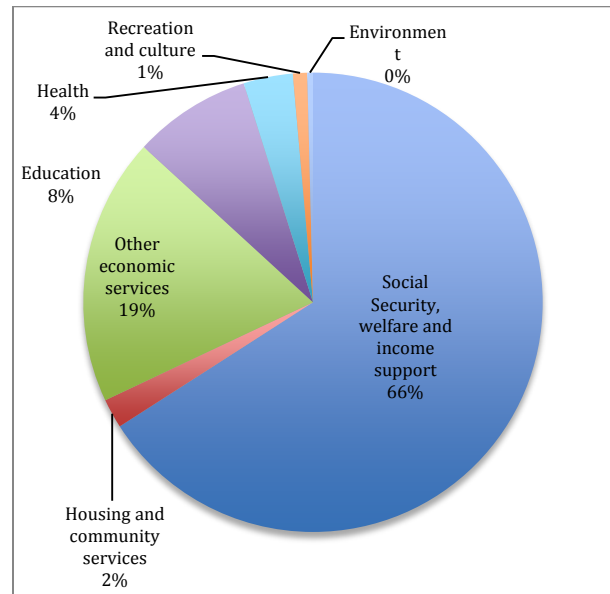


Figure 14: Share in Total Expenditures in Sweden
 Source: Statistics Sweden (see data appendix for details)

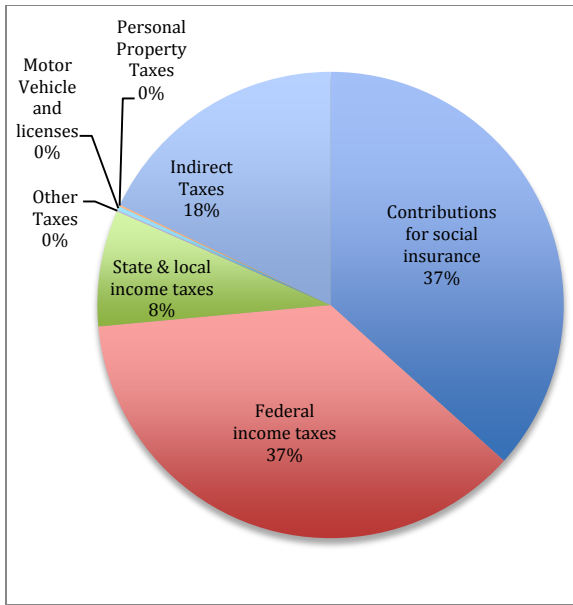


Figure 15: Share in Total Taxes in the United States
 Source: BEA, NIPA (see data appendix for details)

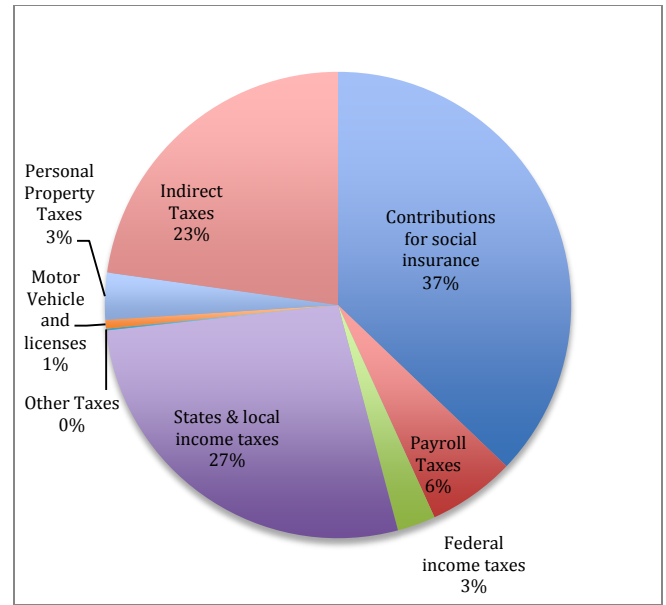


Figure 16: Share in Total Taxes in Sweden
 Source: OECD, (see data appendix for details)

As figure 12 and figure 13 show the expenditures distribution between the two countries are quite similar. Both countries spend the majority of expenditures (between 63% to 66%) on social security, welfare and income support. The main distinction, quite surprisingly, is that the United States spends 22% of social expenditures on education¹⁰, while Sweden spends only 8%. Another small, but significant distinction in expenditures is that Sweden spends 19% on other economic services (which includes labor training) while the breakdown of spending in the U.S. has no such category. By finding no significant difference in expenditure distribution between the United States and Sweden I demonstrate that the divergence in net social wage between the two countries is not due to a difference in the type or distribution of welfare spending.

¹⁰ Although the share the U.S. spends on education is surprisingly high, this is beyond the scope of my study. See Hanushek (2003) for a possible explanation.

In terms of the tax distribution in 2000, both countries brought in 37% of taxes from contributions to social insurance, which formed the largest sources of taxes from workers in both countries (tied with federal income taxes in the U.S.). A very important distinction between the two country's sources of taxes lies in the type of income taxes each country received. In the United States, the majority of income taxes derived from the federal level, accounting for 37% of total taxes and 85% of income taxes. While in Sweden the majority of income taxes derived from the state and local level, accounting for 27% of total taxes and 90% of all income taxes. What is interesting about this distinction is the fact that the United States is notorious for providing welfare on a local level with reluctance to ever nationalize programs unless it is absolutely necessary. The fact that 37% of the taxes workers pay goes to the federal government is likely a sign that these taxes are going to national projects that have little or no benefits for the workers.

Chapter 5: Conclusion

My historical-institutional analysis of the welfare system in Sweden and the United States has yielded three important conclusions. First, since the rise of neoliberalism in the 1970s and 1980s, welfare systems throughout the world have been under attack. The driving force of this attack is the belief that welfare systems are a drag on the economy since they redistribute resources from productive to unproductive uses in the form of welfare expenditures. In order to test this hypothesis I use the net social wage methodology developed by Shaikh and Tonak (2000; 1987). Net social wage is calculated by subtracting the benefits received by workers from the taxes paid by them. A negative net social wage shows that a welfare system is self-financed by the workers and thus one

would argue, not a drag on the economy. My findings demonstrate that the net social wage has been negative in the U.S. from 1962 to the early 2000s and in Sweden from 1965 to 2012.

Second, workers in the United States comparatively pay a large portion of their taxes through federal income taxes than their Swedish counterparts. In fact, in Sweden, a country with a developed nationalized welfare system; workers pay only 3% of total taxes through federal income taxes, while the U.S., a country with a limited nationalized welfare system, receives 37% of total taxes from workers through federal income taxes (see figure 15 and figure 16). The fact that workers in the U.S. pay significantly more in federal income taxes than workers do in Sweden likely demonstrates that these taxes in the U.S. are going to expenditures other than just workers' benefits such as military expenditure and other government spendings that have little or no benefits for the workers. This further demonstrates that in the U.S., workers are contributing to the country's economy instead of being a burden on it.

The third conclusion is that over the years, Sweden's net social wage has been secularly declining while the United States' net social wage has shown much cyclicity. This is especially relevant if we look at how these two countries responded to the recent financial crises of the last decade. As the data shows, because of high taxes, expanding benefits during the time of crises did not cause an extensive strain on Sweden's economy. However, in the U.S., with no universal safety net, the need to expand benefits during the times of crises was extremely urgent. As Fazeli and Fazeli (2012) argued, this shows that contrary to many mainstream economists' claim that the welfare system was a contributing factor to the sluggish economic growth and the financial crisis, the positive

net social wage was in reality a consequence of the economic downturn and a weak welfare system.

My study has thus shown that the mainstream critique that welfare states are giving to the “undeserving” poor and/or are a drag on the economy does not have strong support.

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Data Appendix

Main Data Sources:

Bureau of Economic Analysis (BEA), National Income Product Accounts (NIPA): <http://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=1&isuri=1>

Statistics Sweden Historical Yearbooks: [http://www.scb.se/en /Finding-statistics/Historical-statistics/Statistical-Yearbook-of-Sweden/](http://www.scb.se/en/Finding-statistics/Historical-statistics/Statistical-Yearbook-of-Sweden/)

Organization for Economic Cooperation and Development (OECD): <http://www.oecd.org>

A1: Data Sources for the United States:

Social Security and welfare	BEA, NIPA table 3.12 lines 4-40 (minus lines 14, 16-20 and 26)
Income support	BEA, NIPA table 3.15.5, line 35
Housing and community services	BEA, NIPA table 3.15.5, line 26
Employment and training	BEA, NIPA table 3.12, line 41
Education	BEA, NIPA 3.15.5, line 29
Health	BEA, NIPA table 3.15.5, line 27
Recreation and culture	BEA, NIPA table 3.15.5, line 28
Energy	BEA, NIPA table 3.15.5, line 22
Natural resources	BEA, NIPA table 3.15.5, line 23
Postal services	BEA, NIPA table 3.15.5, line 24
Transportation	BEA, NIPA table 3.15.5, line 13
Gas consumption of laborers	Shaikh & Tonak, 2000
Labor share	BEA, NIPA table 2.1, line 1/2
Contributions for social insurance	BEA, NIPA table 3.6, lines 2-31 (minus lines 14, 16, 16 and 30)

Federal income taxes	BEA, NIPA table 3.4, line 2
State and local income taxes	BEA, NIPA table 3.4, line 9
Other taxes	BEA, NIPA table 3.4, line 12
Motor vehicle and license taxes	BEA, NIPA table 3.4, line 10
Personal property taxes	BEA, NIPA table 3.4, line 11
Indirect taxes	BEA, NIPA table 1.10, line 7

A2: Data Sources for Sweden:

Social Security, welfare and income support	Statistics Sweden, State expenditure (current budget) by purpose table, "socialvård och socialförsäkring"/"socialförsäkring och social välfärd"/"social trygghet"
Housing and community services	Statistics Sweden, State expenditure (current budget) by purpose table, "bostadspolitik och samhällsplanering"/"bostadspolitik samhällsplanering och lokaliseringpolitik"
Employment and training	Statistics Sweden, State expenditure (current budget) by purpose table, "andra samhälleliga och sociala tjänster" plus "ekonomiska tjänster"/"närlivsvårigheter"
Education	Statistics Sweden, State expenditure (current budget) by purpose table, "undervisning"/"utbildning"
Health	Statistics Sweden, State expenditure (current budget) by purpose table, "hälsovård"/"hälso och sjukvård"
Recreation and culture	Statistics Sweden, State expenditure (current budget) by purpose table, "kultur rekreation"
Energy	Statistics Sweden, State expenditure (current budget) by purpose table, "energi"
Environment	Statistics Sweden, State expenditure (current budget) by purpose table, "Miljöskydd"
Postal services	Statistics Sweden, Post office: revenue and expenditure table, expenditure
Railways	Statistics Sweden, State railways: revenue, expenditure and financial results
Labor share	OECD, Labor Share
Contributions for social insurance	OECD, Tax Statistics Sweden, 2000 Social security contributions
Payroll taxes	OECD, Tax Statistics Sweden, 2000 Social security contributions
Federal income taxes	OECD, Tax Statistics Sweden, 1110

	National income tax individual
State and local income taxes	OECD, Tax Statistics Sweden, 1110 Local income tax individual
Other taxes	OECD, Tax Statistics Sweden, 5113 Other
Motor vehicle and license taxes	OECD, Tax Statistics Sweden, 5211 Paid by households: motor vehicles
Personal property taxes	OECD, Tax Statistics Sweden, 4000 Taxes on property
Indirect taxes	OECD, Tax Statistics Sweden, 5100 Taxes on production, sale, transfer, etc.

A3: Net Social Wage for U.S. (Billions of U.S. Dollars)

Expenditures	1962	1963	1964
Expenditure Group I: Entirely Allocated to Labor (E1)	29.80	31.10	32.40
Social Security, welfare and income support	26.20	27.70	28.50
Housing and community services	3.60	3.40	3.90
Employment and training	---	---	---
Expenditure Group II: Partially Allocated to Labor (E2*LS)	30.49	33.34	36.13
Labor Share	0.71	0.71	0.71
Expenditure Group II Total (E2)	42.97	46.78	50.66
Education	22.50	24.80	27.40
Health	5.50	5.90	6.40
Recreation and culture	1.20	1.30	1.30
Energy	1.80	1.80	2.10
Natural Resources	1.90	1.90	2.00
Postal Services	0.20	0.30	0.40
Passenger Transportation = transportation x GCONS	9.87	10.78	11.06
Transportation	14.10	15.40	15.80
Transportation (*gas consumption of laborers)	0.70	0.70	0.70
E1+E2*LS = Total benefits received by labor	60.29	64.44	68.53
Taxes	1962	1963	1964
Tax Group I: Paid Entirely by Labor (T1)	17.70	20.30	20.90
Contributions for social insurance	17.70	20.30	20.90
Tax Group II: Partially Allocated to Labor (T2*LS)	36.55	38.91	37.15
Labor Share	0.71	0.71	0.71
Tax Group II Total (T2)	51.50	54.60	52.10
Total income taxes = federal + state and local income taxes	49.70	52.50	50.00
Federal income taxes	46.50	49.10	46.00
States & local income taxes	3.20	3.40	4.00
Other Taxes	0.20	0.30	0.30
Motor Vehicle and licenses	1.00	1.10	1.10
Personal Property Taxes	0.60	0.70	0.70
Tax Group III: Partially Allocated to Labor (T3*LS)	35.77	38.06	40.86
Labor Share	0.71	0.71	0.71
Tax Group III Total (T3)	50.40	53.40	57.30
Indirect Taxes	50.40	53.40	57.30
T1+T2*LS+T3*LS = Total taxes paid by labor	90.01	97.27	98.91
(E1+E2*LS) - (T1+T2*LS+T3*LS) = Net Social Wage	-29.72	-32.83	-30.39

1965	1966	1967	1968	1969	1970	1971
35.40	39.30	47.10	55.00	60.10	72.70	86.60
31.30	35.00	42.50	49.70	54.90	67.10	80.30
4.10	4.30	4.60	5.30	5.20	5.60	6.30
---	---	---	---	---	---	---
39.38	45.27	50.24	55.65	61.70	68.76	75.54
0.71	0.73	0.73	0.73	0.73	0.72	0.72
55.33	62.39	69.26	76.42	84.26	95.10	105.56
30.60	35.40	39.50	43.60	48.40	54.60	61.00
6.60	7.30	8.30	9.60	10.80	12.60	14.30
1.40	1.50	1.70	2.00	2.30	2.60	2.90
2.10	2.00	2.60	3.00	3.50	3.90	4.20
2.40	2.70	3.00	2.80	3.00	3.60	4.00
0.40	0.40	0.30	0.30	0.30	0.30	0.40
11.83	13.09	13.86	15.12	15.96	17.50	18.76
16.90	18.70	19.80	21.60	22.80	25.00	26.80
0.70	0.70	0.70	0.70	0.70	0.70	0.70
74.78	84.57	97.34	110.65	121.80	141.46	162.14
1965	1966	1967	1968	1969	1970	1971
21.80	29.60	32.30	36.30	41.50	43.70	48.50
21.80	29.60	32.30	36.30	41.50	43.70	48.50
41.07	48.18	52.88	63.28	76.59	74.54	72.78
0.71	0.73	0.73	0.73	0.73	0.72	0.72
57.70	66.40	72.90	86.90	104.60	103.10	101.70
55.50	64.00	70.50	84.20	101.50	99.80	98.20
51.10	58.60	64.40	76.40	91.70	88.90	85.80
4.40	5.40	6.10	7.80	9.80	10.90	12.40
0.30	0.30	0.30	0.30	0.40	0.40	0.40
1.20	1.40	1.40	1.60	1.90	2.10	2.20
0.70	0.70	0.70	0.80	0.80	0.80	0.90
43.21	45.86	49.25	55.63	61.43	66.08	71.92
0.71	0.73	0.73	0.73	0.73	0.72	0.72
60.70	63.20	67.90	76.40	83.90	91.40	100.50
60.70	63.20	67.90	76.40	83.90	91.40	100.50
106.08	123.64	134.44	155.22	179.52	184.32	193.19
-31.29	-39.07	-37.10	-44.57	-57.73	-42.87	-31.05

1972	1973	1974	1975	1976	1977	1978
96.10	110.50	131.90	163.90	180.50	193.90	209.30
89.70	103.30	123.20	153.60	169.50	183.00	195.50
6.40	7.20	8.50	9.70	10.10	10.00	11.90
---	---	0.20	0.60	0.90	0.90	1.90
82.71	89.74	101.93	112.92	120.72	130.07	144.57
0.72	0.72	0.71	0.70	0.70	0.71	0.71
115.40	125.36	143.03	162.44	172.04	184.05	203.63
66.80	72.90	81.20	92.30	98.80	105.10	112.90
16.20	18.10	20.80	23.60	24.70	26.70	29.60
3.10	3.40	4.20	5.00	5.10	5.40	6.00
4.70	5.00	6.60	8.00	9.50	11.80	16.00
4.40	4.50	5.20	6.20	6.40	6.80	7.70
0.60	0.60	0.60	0.60	0.80	0.60	0.70
19.60	20.86	24.43	26.74	26.74	27.65	30.73
28.00	29.80	34.90	38.20	38.20	39.50	43.90
0.70	0.70	0.70	0.70	0.70	0.70	0.70
178.81	200.24	233.83	276.82	301.22	323.97	353.87
1972	1973	1974	1975	1976	1977	1978
56.00	71.90	81.20	85.20	96.80	108.30	126.00
56.00	71.90	81.20	85.20	96.80	108.30	126.00
88.65	94.85	107.68	102.60	120.90	139.64	162.87
0.72	0.72	0.71	0.70	0.70	0.71	0.71
123.70	132.50	151.10	147.60	172.30	197.60	229.40
120.00	128.50	146.90	143.20	167.50	192.60	223.90
102.80	109.60	126.50	120.70	141.20	162.20	188.90
17.20	18.90	20.40	22.50	26.30	30.40	35.00
0.40	0.50	0.60	0.70	0.80	0.80	0.90
2.40	2.60	2.70	2.80	3.10	3.30	3.60
0.90	0.90	0.90	0.90	0.90	0.90	1.00
77.33	83.90	89.01	94.05	102.73	112.86	121.33
0.72	0.72	0.71	0.70	0.70	0.71	0.71
107.90	117.20	124.90	135.30	146.40	159.70	170.90
107.90	117.20	124.90	135.30	146.40	159.70	170.90
221.98	250.65	277.89	281.86	320.43	360.80	410.20
-43.18	-50.41	-44.06	-5.04	-19.21	-36.83	-56.33

1979	1980	1981	1982	1983	1984	1985
234.40	277.80	315.00	351.40	379.40	392.70	417.40
219.60	260.40	297.90	335.00	363.60	375.50	398.70
13.10	15.70	15.70	15.30	14.80	16.40	17.80
1.70	1.70	1.40	1.10	1.00	0.80	0.90
159.56	172.95	186.77	191.18	200.85	215.87	234.80
0.71	0.70	0.69	0.68	0.68	0.68	0.68
223.87	246.40	270.06	280.45	296.18	319.44	345.56
124.20	135.20	145.50	154.90	163.90	178.10	194.10
31.60	36.30	38.90	40.30	42.60	46.40	49.80
6.60	7.10	7.50	8.00	8.30	8.90	9.90
16.60	17.60	23.80	20.60	20.70	20.60	21.30
9.10	10.20	11.50	11.90	13.10	13.40	14.50
0.70	0.80	1.00	1.00	1.10	1.50	1.50
35.07	39.20	41.86	43.75	46.48	50.54	54.46
50.10	56.00	59.80	62.50	66.40	72.20	77.80
0.70	0.70	0.70	0.70	0.70	0.70	0.70
393.96	450.75	501.77	542.58	580.25	608.57	652.20
1979	1980	1981	1982	1983	1984	1985
146.80	159.50	188.50	200.80	217.40	247.60	269.00
146.80	159.50	188.50	200.80	217.40	247.60	269.00
191.37	209.80	238.74	241.46	238.91	255.04	283.62
0.71	0.70	0.69	0.68	0.68	0.68	0.68
268.50	298.90	345.20	354.20	352.30	377.40	417.40
262.80	292.60	338.50	346.90	344.50	368.90	408.10
224.60	250.00	290.60	295.00	286.20	301.40	336.00
38.20	42.60	47.90	51.90	58.30	67.50	72.10
0.90	1.10	1.20	1.30	1.40	1.60	1.60
3.70	4.00	4.20	4.60	4.90	5.30	5.90
1.10	1.20	1.30	1.40	1.50	1.60	1.80
128.36	140.59	162.94	164.22	178.56	195.84	209.35
0.71	0.70	0.69	0.68	0.68	0.68	0.68
180.10	200.30	235.60	240.90	263.30	289.80	308.10
180.10	200.30	235.60	240.90	263.30	289.80	308.10
466.53	509.90	590.18	606.48	634.87	698.47	761.97
-72.57	-59.14	-88.40	-63.90	-54.61	-89.91	-109.76

1986	1987	1988	1989	1990	1991	1992
445.30	467.70	497.90	542.60	601.30	679.30	763.30
424.30	444.70	473.80	517.40	573.80	650.70	734.10
20.10	22.10	23.20	24.30	26.60	27.70	28.10
0.90	0.90	0.90	0.90	0.90	0.90	1.10
250.84	269.03	288.31	307.05	333.87	353.50	371.57
0.68	0.69	0.69	0.68	0.68	0.68	0.68
367.32	390.59	417.84	451.22	489.87	519.30	547.65
210.90	226.10	244.50	269.00	292.70	311.30	329.30
52.00	55.80	60.90	66.00	71.80	76.30	79.00
10.70	11.30	12.10	13.50	15.00	15.90	16.70
19.80	19.10	18.60	18.00	18.40	18.70	22.20
14.60	15.20	15.90	16.50	17.30	18.50	19.30
1.50	2.40	2.00	2.00	2.50	3.00	3.10
57.82	60.69	63.84	66.22	72.17	75.60	78.05
82.60	86.70	91.20	94.60	103.10	108.00	111.50
0.70	0.70	0.70	0.70	0.70	0.70	0.70
696.14	736.73	786.21	849.65	935.17	1032.80	1134.87
1986	1987	1988	1989	1990	1991	1992
289.40	306.90	343.70	365.50	388.80	406.50	429.70
289.40	306.90	343.70	365.50	388.80	406.50	429.70
298.49	336.95	348.39	385.29	403.96	399.31	414.28
0.68	0.69	0.69	0.68	0.68	0.68	0.68
437.10	489.20	504.90	566.20	592.70	586.60	610.60
427.40	478.50	493.40	553.80	579.70	573.00	595.60
350.00	392.50	402.80	451.50	470.10	461.30	475.20
77.40	86.00	90.60	102.30	109.60	111.70	120.40
1.40	1.60	1.70	1.80	1.90	2.00	2.10
6.30	6.80	7.30	7.80	8.10	8.40	9.20
2.00	2.30	2.50	2.80	3.00	3.20	3.70
220.84	239.35	258.41	271.44	289.66	311.16	327.98
0.68	0.69	0.69	0.68	0.68	0.68	0.68
323.40	347.50	374.50	398.90	425.00	457.10	483.40
323.40	347.50	374.50	398.90	425.00	457.10	483.40
808.73	883.20	950.49	1022.23	1082.42	1116.97	1171.95
-112.60	-146.47	-164.28	-172.59	-147.25	-84.17	-37.09

1993	1994	1995	1996	1997	1998	1999
810.30	849.30	898.20	941.60	973.10	997.20	1037.00
781.30	821.60	869.50	910.70	940.70	964.10	1001.70
27.90	26.60	27.60	30.00	31.40	32.00	34.20
1.10	1.10	1.10	0.90	1.00	1.10	1.10
385.23	404.45	422.42	436.12	461.05	487.61	532.17
0.68	0.68	0.67	0.66	0.67	0.67	0.68
569.35	598.56	630.87	657.01	691.87	728.63	785.31
343.30	362.40	387.90	408.40	434.10	460.30	495.30
81.00	84.20	86.00	87.70	89.20	93.30	101.10
17.10	18.10	19.40	20.70	22.40	23.70	25.00
24.00	22.40	24.00	21.10	20.90	19.60	22.40
19.20	21.60	21.90	23.20	23.30	24.70	25.90
2.50	2.50	2.70	3.30	3.90	4.20	4.80
82.25	87.36	88.97	92.61	98.07	102.83	110.81
117.50	124.80	127.10	132.30	140.10	146.90	158.30
0.70	0.70	0.70	0.70	0.70	0.70	0.70
1195.53	1253.75	1320.62	1377.72	1434.15	1484.81	1569.17
1993	1994	1995	1996	1997	1998	1999
451.40	481.30	504.40	525.70	556.60	592.50	627.30
451.40	481.30	504.40	525.70	556.60	592.50	627.30
437.43	466.57	498.10	552.21	617.21	686.88	750.44
0.68	0.68	0.67	0.66	0.67	0.67	0.68
646.50	690.50	743.90	831.90	926.20	1026.40	1107.40
631.70	674.70	727.50	815.60	908.90	1008.20	1088.50
505.50	542.50	585.80	663.30	744.20	825.20	893.00
126.20	132.20	141.70	152.30	164.70	183.00	195.50
2.30	2.50	2.50	2.50	2.80	3.00	3.00
8.90	9.20	9.70	9.30	9.90	10.40	10.80
3.60	4.10	4.20	4.50	4.60	4.80	5.10
340.40	368.39	373.56	385.53	407.56	427.96	456.47
0.68	0.68	0.67	0.66	0.67	0.67	0.68
503.10	545.20	557.90	580.80	611.60	639.50	673.60
503.10	545.20	557.90	580.80	611.60	639.50	673.60
1229.23	1316.27	1376.06	1463.44	1581.37	1707.34	1834.21
-33.70	-62.52	-55.44	-85.72	-147.22	-222.53	-265.04

2000	2001	2002	2003	2004	2005	2006
1091.90	1197.90	1309.80	1380.10	1456.00	1550.30	1666.50
1057.80	1158.60	1266.30	1334.70	1408.90	1499.90	1607.90
33.10	37.90	41.90	44.00	45.80	49.20	57.30
1.00	1.40	1.60	1.40	1.30	1.20	1.30
576.01	609.92	643.40	673.19	707.67	742.96	774.96
0.68	0.67	0.67	0.67	0.67	0.67	0.66
849.06	906.55	958.46	1003.38	1055.04	1112.20	1176.39
536.00	574.10	593.20	617.00	652.70	686.10	728.00
109.70	116.00	130.10	142.20	150.00	162.20	167.20
28.10	30.60	33.00	32.90	34.40	36.60	37.90
22.10	22.30	26.50	30.60	30.40	28.80	31.40
29.10	30.50	35.10	34.30	36.60	38.70	41.50
4.50	3.90	2.80	2.60	3.10	3.70	4.00
119.56	129.15	137.76	143.78	147.84	156.10	166.39
170.80	184.50	196.80	205.40	211.20	223.00	237.70
0.70	0.70	0.70	0.70	0.70	0.70	0.70
1667.91	1807.82	1953.20	2053.29	2163.67	2293.26	2441.46
2000	2001	2002	2003	2004	2005	2006
669.80	695.50	712.40	737.70	784.90	825.60	871.10
669.80	695.50	712.40	737.70	784.90	825.60	871.10
836.01	830.77	705.05	671.59	701.54	807.29	890.72
0.68	0.67	0.67	0.67	0.67	0.67	0.66
1232.30	1234.80	1050.30	1001.00	1045.90	1208.50	1352.10
1213.00	1215.10	1029.80	978.80	1022.10	1183.60	1325.80
995.60	991.80	828.50	774.10	798.50	932.10	1049.60
217.40	223.30	201.30	204.70	223.60	251.50	276.20
3.10	3.30	3.40	3.70	4.40	4.70	5.00
11.40	11.30	11.90	12.70	13.70	14.00	14.70
4.80	5.10	5.20	5.80	5.70	6.20	6.60
480.72	489.59	511.92	542.10	579.46	624.26	653.43
0.68	0.67	0.67	0.67	0.67	0.67	0.66
708.60	727.70	762.60	808.00	863.90	934.50	991.90
708.60	727.70	762.60	808.00	863.90	934.50	991.90
1986.53	2015.87	1929.37	1951.39	2065.90	2257.15	2415.24
-318.62	-208.04	23.83	101.90	97.77	36.11	26.22

2007	2008	2009	2010	2011	2012
1762.70	1880.50	2123.60	2254.90	2281.00	2329.70
1702.20	1817.90	2061.70	2189.60	2221.30	2273.20
59.50	61.50	60.50	63.80	58.50	55.40
1.00	1.10	1.40	1.50	1.20	1.10
832.94	871.06	881.54	890.69	868.00	878.46
0.66	0.65	0.64	0.64	0.63	0.63
1264.92	1340.21	1367.64	1390.17	1383.11	1401.99
776.10	816.80	828.40	830.90	822.50	822.10
183.70	201.70	209.50	218.40	226.10	237.30
40.90	43.20	43.30	42.90	41.80	41.60
36.40	39.20	41.40	46.70	39.30	41.00
47.00	46.60	47.70	50.80	51.00	51.20
4.00	3.50	3.30	3.00	2.70	2.50
176.82	189.21	194.04	197.47	199.71	206.29
252.60	270.30	277.20	282.10	285.30	294.70
0.70	0.70	0.70	0.70	0.70	0.70
2595.64	2751.56	3005.14	3145.59	3149.00	3208.16
2007	2008	2009	2010	2011	2012
907.50	933.40	909.60	929.70	866.60	900.00
907.50	933.40	909.60	929.70	866.60	900.00
979.77	932.80	737.97	763.27	881.11	938.68
0.66	0.65	0.64	0.64	0.63	0.63
1487.90	1435.20	1144.90	1191.30	1404.00	1498.10
1460.80	1408.70	1116.70	1160.90	1373.10	1466.50
1164.40	1101.70	857.20	893.80	1077.00	1149.20
296.40	307.00	259.50	267.10	296.10	317.30
5.20	4.60	5.40	6.60	6.70	6.90
15.00	14.90	15.40	16.30	16.90	17.40
6.90	7.00	7.40	7.50	7.30	7.30
681.28	677.18	661.40	677.29	688.51	703.59
0.66	0.65	0.64	0.64	0.63	0.63
1034.60	1041.90	1026.10	1057.10	1097.10	1122.90
1034.60	1041.90	1026.10	1057.10	1097.10	1122.90
2568.55	2543.38	2308.97	2370.26	2436.22	2542.27
27.09	208.18	696.18	775.33	712.78	665.89

A4: Net Social Wage for Sweden (Billions of Swedish Kronor)

Expenditures	1965	1966
Expenditure Group I: Entirely Allocated to Labor (E1)	11.82	13.38
Social Security, welfare and income support	7.87	8.67
Housing and community services	0.79	1.05
Other economic services	3.15	3.66
Expenditure Group II: Partially Allocated to Labor (E2*LS)	5.16	6.27
Labor Share	0.72	0.72
Expenditure Group II Total (E2)	7.17	8.751
Education	4.58	5.41
Health	1.12	1.69
Recreation and culture	---	---
Energy	---	---
Environment	---	---
Postal Services	1.47	1.65
Railways	---	---
E1+E2*LS = Total benefits received by labor	16.98	19.65
Taxes	1965	1966
Tax Group I: Paid Entirely by Labor (T1)	4.86	5.59
Contributions for social insurance	4.85	5.58
Payroll Taxes	0.01	0.02
Tax Group II: Partially Allocated to Labor (T2*LS)	13.86	15.14
Labor Share	0.72	0.72
Tax Group II Total (T2)	19.35	21.13
Total income taxes = federal + state and local income taxes	17.97	19.71
Federal income taxes	8.68	8.68
States & local income taxes	9.29	11.03
Other Taxes	0.00	0.00
Motor Vehicle and licenses	0.66	0.71
Personal Property Taxes	0.71	0.71
Tax Group III Labor Total: Partially Allocated to Labor = T3*LS	8.46	9.90
Labor Share	0.72	0.72
Tax Group III Total (T3)	11.81	13.81
Indirect Taxes	11.81	13.81
T1+T2*LS+T3*LS = Total taxes paid by labor	27.19	30.64
(E1+E2*LS) - (T1+T2*LS+T3*LS) = Net Social Wage	-10.21	-10.98

1967	1968	1969	1970	1971	1972	1973
14.29	15.05	16.08	17.98	21.89	24.22	30.02
9.59	10.66	11.65	13.36	16.82	18.43	22.86
0.92	0.69	0.40	0.48	0.87	0.96	1.14
3.78	3.69	4.02	4.14	4.20	4.83	6.02
6.93	7.38	8.27	8.89	9.81	10.79	11.08
0.72	0.72	0.72	0.72	0.72	0.73	0.70
9.669	10.304	11.545	12.403	13.694	14.805	15.824
6.15	6.58	7.38	7.89	9.00	9.35	10.12
1.71	1.73	1.84	2.00	2.01	2.61	2.37
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1.82	1.99	2.32	2.51	2.68	2.85	3.34
2.34	2.42	2.51	2.66	2.72	---	3.11
21.22	22.43	24.35	26.87	31.70	35.00	41.11
1967	1968	1969	1970	1971	1972	1973
6.99	8.61	10.14	11.12	13.60	15.86	19.01
6.98	8.59	9.52	10.36	11.87	13.77	14.83
0.02	0.02	0.62	0.77	1.73	2.10	4.18
16.75	18.44	20.74	24.32	25.26	29.48	29.68
0.72	0.72	0.72	0.72	0.72	0.73	0.70
23.37	25.74	28.95	33.93	35.25	40.46	42.37
21.82	23.87	26.94	31.70	32.86	37.95	39.60
9.59	10.44	11.69	13.86	13.39	15.25	14.67
12.23	13.43	15.25	17.84	19.47	22.69	24.93
0.00	0.02	0.04	0.04	0.14	0.15	0.16
0.75	0.97	1.04	1.18	1.25	1.28	1.44
0.80	0.87	0.93	1.01	1.00	1.09	1.17
10.69	11.59	12.46	13.18	16.38	17.83	18.45
0.72	0.72	0.72	0.72	0.72	0.73	0.70
14.91	16.17	17.38	18.39	22.85	24.47	26.34
14.91	16.17	17.38	18.39	22.85	24.47	26.34
34.43	38.64	43.34	48.62	55.24	63.17	67.14
-13.21	-16.21	-18.99	-21.75	-23.53	-28.17	-26.03

1974	1975	1976	1977	1978	1979	1980
35.12	43.52	53.13	63.27	75.42	82.53	75.97
25.61	29.05	34.84	42.64	47.86	53.97	59.73
1.16	3.18	3.68	4.41	5.80	5.92	15.25
8.36	11.29	14.61	16.23	21.76	22.63	0.99
11.59	14.18	17.27	20.41	24.48	25.58	29.54
0.69	0.71	0.74	0.77	0.78	0.76	0.74
16.889	20.076	23.289	26.464	31.402	33.583	39.977
11.28	13.26	15.54	17.62	21.61	23.13	28.30
2.76	3.38	3.44	4.07	4.55	4.52	4.85
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2.85	3.44	4.31	4.77	5.24	5.93	6.83
3.54	4.06	4.66	5.22	5.50	5.95	6.68
46.71	57.70	70.39	83.68	99.90	108.11	105.52
1974	1975	1976	1977	1978	1979	1980
26.15	31.48	46.09	57.57	63.57	68.04	81.41
21.30	25.76	38.23	47.61	56.48	62.55	74.65
4.85	5.72	7.86	9.95	7.10	5.49	6.76
36.99	46.77	56.49	64.57	75.27	81.49	86.04
0.69	0.71	0.74	0.77	0.78	0.76	0.74
53.91	66.20	76.20	83.71	96.57	106.99	116.42
50.37	62.28	71.93	78.68	91.41	101.19	109.82
19.59	27.01	29.20	29.21	32.29	34.86	31.68
30.78	35.27	42.73	49.47	59.12	66.33	78.13
0.24	0.26	0.31	0.31	0.26	0.36	0.42
2.19	2.20	2.24	3.04	3.14	3.36	3.76
1.11	1.47	1.72	1.68	1.75	2.09	2.42
18.40	21.15	27.36	31.69	35.82	38.80	43.21
0.69	0.71	0.74	0.77	0.78	0.76	0.74
26.82	29.94	36.91	41.08	45.96	50.94	58.47
26.82	29.94	36.91	41.08	45.96	50.94	58.47
81.55	99.40	129.94	153.82	174.66	188.33	210.66
-34.84	-41.69	-59.55	-70.14	-74.77	-80.23	-105.14

1981	1982	1983	1984	1985	1986	1987
83.76	97.63	106.42	118.80	112.40	124.34	130.11
65.05	63.13	68.38	75.75	79.37	86.99	94.66
17.53	18.07	20.05	23.77	13.86	17.34	16.72
1.18	16.43	17.98	19.27	19.17	20.02	18.73
28.68	32.85	33.34	34.77	35.68	38.01	40.36
0.74	0.72	0.70	0.68	0.69	0.69	0.70
38.597	45.741	47.918	51.047	51.857	54.963	57.929
31.41	33.14	35.64	37.67	40.01	42.02	44.92
5.45	4.99	4.76	4.57	4.58	4.92	4.99
1.74	2.44	2.63	2.78	2.97	3.13	3.15
---	5.17	4.88	6.03	4.30	4.90	4.87
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112.44	130.47	139.76	153.56	148.08	162.35	170.47
1981	1982	1983	1984	1985	1986	1987
93.37	94.14	109.80	120.74	124.31	144.22	158.48
85.84	86.63	95.66	103.78	108.21	124.46	137.28
7.53	7.51	14.14	16.96	16.11	19.76	21.20
95.67	97.94	104.79	112.13	127.87	145.77	174.78
0.74	0.72	0.70	0.68	0.69	0.69	0.70
128.75	136.38	150.60	164.64	185.85	210.79	250.86
121.87	128.81	140.04	153.33	170.41	190.23	211.79
33.59	34.84	35.35	37.24	41.01	48.92	58.80
88.27	93.97	104.69	116.09	129.40	141.32	152.99
0.44	0.50	0.51	0.64	0.62	0.75	0.98
3.86	3.90	4.14	4.22	4.66	5.89	5.33
2.58	3.17	5.91	6.45	10.16	13.92	32.76
49.06	51.76	58.29	64.95	76.14	81.92	93.08
0.74	0.72	0.70	0.68	0.69	0.69	0.70
66.02	72.08	83.78	95.37	110.66	118.46	133.59
66.02	72.08	83.78	95.37	110.66	118.46	133.59
238.10	243.84	272.88	297.82	328.32	371.91	426.34
-125.66	-113.37	-133.12	-144.26	-180.24	-209.56	-255.87

1988	1989	1990	1991	1992	1993	1994
139.12	154.88	175.60	210.11	268.82	243.96	230.16
101.95	110.94	125.16	131.07	139.21	138.84	145.97
18.69	24.85	27.76	37.02	43.68	40.03	37.98
18.48	19.09	22.69	42.01	85.93	65.08	46.21
37.67	41.24	50.85	52.50	45.94	31.42	32.25
0.70	0.71	0.73	0.73	0.72	0.70	0.68
54.047	58.112	69.714	71.767	64.081	45.137	47.221
44.70	48.38	59.41	61.74	54.62	37.04	39.69
4.99	5.09	5.22	4.97	3.34	1.88	1.45
3.35	3.92	4.46	4.42	5.12	5.22	5.46
1.00	0.73	0.64	0.63	1.00	0.99	0.62
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176.79	196.12	226.45	262.60	314.76	275.38	262.42
1988	1989	1990	1991	1992	1993	1994
169.86	199.18	224.55	252.71	237.65	207.21	221.54
153.80	182.25	205.87	225.80	216.12	197.82	211.39
16.06	16.93	18.69	26.91	21.53	9.39	10.15
185.00	212.37	237.66	218.94	207.58	203.25	213.69
0.70	0.71	0.73	0.73	0.72	0.70	0.68
265.43	299.25	325.84	299.30	289.53	292.00	312.86
238.67	268.82	290.83	259.82	255.90	261.42	283.04
69.67	77.58	70.76	20.54	10.69	11.73	21.13
169.00	191.25	220.07	239.28	245.22	249.69	261.91
1.71	1.49	1.26	0.40	0.45	0.44	0.73
6.00	6.04	7.12	7.77	6.84	6.89	4.14
19.05	22.90	26.63	31.32	26.34	23.25	24.95
99.84	113.04	132.45	144.34	131.78	132.55	134.22
0.70	0.71	0.73	0.73	0.72	0.70	0.68
143.25	159.28	181.59	197.31	183.81	190.43	196.51
143.25	159.28	181.59	197.31	183.81	190.43	196.51
454.70	524.58	594.66	615.99	577.00	543.02	569.45
-277.91	-328.46	-368.21	-353.39	-262.24	-267.64	-307.03

1995	1996	1997	1998	1999	2000	2001
270.35	298.79	278.83	260.48	281.39	315.85	328.21
189.85	222.59	209.36	200.64	229.05	239.80	258.86
36.80	32.35	25.79	17.86	13.50	7.54	6.18
43.70	43.84	43.67	41.98	38.84	68.51	63.18
30.85	31.91	34.96	50.12	49.16	47.96	51.60
0.65	0.68	0.67	0.67	0.65	0.67	0.69
47.154	47.245	52.279	75.129	75.275	71.199	74.49
38.85	38.61	43.92	52.89	52.15	44.83	47.34
2.20	2.32	2.25	15.60	16.08	18.79	18.46
4.95	5.32	5.45	5.61	5.77	5.41	5.57
1.16	1.00	0.66	1.04	1.29	---	---
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301.20	330.70	313.79	310.60	330.56	363.81	379.82
1995	1996	1997	1998	1999	2000	2001
255.35	283.36	303.77	329.40	339.88	357.24	381.79
237.55	261.93	273.46	282.43	261.24	307.10	330.62
17.80	21.43	30.30	46.97	78.64	50.15	51.17
204.58	233.02	246.37	257.16	275.34	281.28	303.40
0.65	0.68	0.67	0.67	0.65	0.67	0.69
312.67	344.99	368.39	385.51	421.59	417.59	437.96
283.87	305.33	324.19	341.31	375.62	368.79	391.65
18.80	28.24	38.69	42.43	52.46	32.49	32.26
265.07	277.09	285.50	298.88	323.15	336.30	359.39
1.44	0.99	0.97	1.30	0.98	1.48	1.91
4.10	5.47	6.24	6.10	6.42	7.43	7.66
23.26	33.20	36.98	36.80	38.57	39.89	36.74
155.52	158.14	163.04	166.83	170.82	188.23	199.84
0.65	0.68	0.67	0.67	0.65	0.67	0.69
237.69	234.13	243.79	250.09	261.55	279.45	288.47
237.69	234.13	243.79	250.09	261.55	279.45	288.47
615.46	674.52	713.17	753.39	786.05	826.76	885.02
-314.25	-343.82	-399.38	-442.79	-455.49	-462.95	-505.21

2002	2003	2004	2005	2006	2007	2008
340.65	373.07	384.62	396.68	404.91	393.82	427.72
273.27	309.87	315.34	318.72	321.73	304.35	296.64
5.22	5.48	5.46	5.60	5.30	4.46	3.71
62.16	57.72	63.82	72.36	77.88	85.02	127.37
55.18	52.91	57.39	57.80	59.45	56.99	58.41
0.69	0.68	0.67	0.67	0.65	0.66	0.65
80.378	78.107	85.958	86.664	91.617	86.711	89.22
52.11	48.97	51.78	50.38	53.13	47.03	48.24
19.29	20.23	24.54	24.54	25.87	28.33	29.45
5.82	6.09	6.38	6.56	6.84	6.95	7.07
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3.16	2.83	3.26	5.19	5.78	4.40	4.46
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395.83	425.97	442.01	454.48	464.36	450.81	486.13
2002	2003	2004	2005	2006	2007	2008
392.12	401.53	411.22	424.74	442.35	469.54	494.50
336.72	341.42	350.15	361.72	362.78	385.66	369.89
55.40	60.11	61.08	63.02	79.56	83.88	124.61
313.31	325.99	336.37	350.32	356.69	377.56	394.60
0.69	0.68	0.67	0.67	0.65	0.66	0.65
456.42	481.26	503.78	525.26	549.64	574.47	602.78
409.24	433.33	452.98	472.78	494.65	523.39	550.52
30.74	30.25	33.14	37.20	40.54	44.32	47.10
378.49	403.08	419.84	435.58	454.12	479.07	503.42
1.65	1.01	1.34	1.35	1.21	1.77	1.61
8.17	8.33	8.78	11.02	11.78	13.08	16.03
37.36	38.59	40.69	40.12	41.99	36.23	34.62
207.97	213.82	217.52	228.33	233.37	250.40	259.64
0.69	0.68	0.67	0.67	0.65	0.66	0.65
302.97	315.65	325.79	342.35	359.61	380.99	396.61
302.97	315.65	325.79	342.35	359.61	380.99	396.61
913.40	941.34	965.11	1003.39	1032.40	1097.51	1148.74
-517.57	-515.37	-523.10	-548.91	-568.04	-646.70	-662.61

2009	2010	2011	2012
397.73	400.69	388.52	401.84
306.26	303.67	297.20	304.92
4.42	4.22	3.59	3.50
87.05	92.80	87.73	93.42
66.06	67.52	66.16	67.26
0.67	0.65	0.64	0.65
98.158	103.757	103.234	103.35
53.87	57.20	56.41	54.22
32.37	33.85	33.53	35.60
7.37	8.39	8.90	9.23
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4.54	4.32	4.39	4.31
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2009	2010	2011	2012
463.79	468.21	454.68	469.10
476.20	486.54	509.45	527.71
353.61	379.03	354.11	367.68
122.59	107.51	155.34	160.03
406.32	403.34	408.16	431.63
0.67	0.65	0.64	0.65
603.74	619.77	636.85	663.19
551.09	565.45	582.86	608.40
39.94	42.60	44.64	46.00
511.15	522.85	538.23	562.41
1.99	1.42	1.75	1.80
16.38	16.40	15.72	15.60
34.29	36.51	36.51	37.38
270.58	279.71	279.84	285.78
0.67	0.65	0.64	0.65
402.04	429.80	436.64	439.10
402.04	429.80	436.64	439.10
1153.10	1169.59	1197.45	1245.12
-689.31	-701.38	-742.77	-776.01