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**Article:**

Haagh, Louise Anne (2019) The Developmental Social Contract and Basic Income in Denmark. *Social Policy and Society*. pp. 301-317. ISSN: 1475-3073

<https://doi.org/10.1017/S1474746418000301>

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# The Developmental Social Contract and Basic Income in Denmark

## Abstract

In this paper I discuss why steps towards basic income 'from within' the state are plausible in Denmark, yet this 'inside-out' transition is contested in Danish society. I argue that implementation since the 1990s of the flexicurity regime – labour flexibility with social transfers and training - has stretched the developmental tradition that historically has fed the case for broadly inclusive reforms. Historically, incorporating stratifications linked with developmentalism have supported attained high equality in Nordic states. This Equality Paradox may explain why rising inequality in Denmark (and other countries) makes a case for basic income but the source of this inequality – neo-liberalism - also puts it at risk. The developmental rights tradition in Denmark helped cushion the inherent instability and punitive tendency of the flexicurity model. Yet flexicurity also corroded developmentalism, generating a complicated scenario for basic income reform.

## Introduction

Taking Denmark as my example, in this paper I argue conceptualizing the Nordic welfare state in developmental egalitarian terms aids in clarifying the political status of basic income in the Nordic context. Adopting a 'macro-configurational' approach, I argue the developmental and rights-bases of Nordic welfare states have been under-assumed in favour of labour–process or class-coalition models. I argue instead that formation of a broadly incorporating developmental social contract tradition has contributed to a high level of social embeddedness of public governance and shaped the evolutionary logic of the Danish welfare state. Public sector capabilities linked with developmental governance have been the foundation for recurrence of steps towards basic income in Denmark. However, neo-liberalisation in the form of flexicurity (Kongshøj-Madsen 2003) entails recent partial transitions to basic income from within the public sector can go in different directions. Below, I first briefly situate the Danish case within the contemporary discussion of basic income and the Nordic model. I then look critically at the conceptualisation of the Nordic model in comparative typology literatures. Next, I argue a developmental form of egalitarianism helped cushion inherent punitive tendencies within the flexicurity model, yet flexicurity remains unstable. Last I discuss how this complicated scenario explains the catalytic role of basic income, as alternative responses to exhaustion of flexicurity have impacts are likely to shape how the direction of social incorporation in Denmark is changed.

### i. Basic Income and Social Democracy

In the core literature, basic income can appear to be presented as an alternative to Nordic-style social democracy. In his classic work, vP defined his project against 'welfarist or outcome-oriented' (n.30, 248, 28) models, and social democracy as the pursuit of 'the freedom to consume' (33). Labour unions are often portrayed as linked with outdated welfare arrangements (Vanderborght 2006, Vanderborght and van Parijs 2017, van Parijs 2017), and social democracy has been placed at the forefront of a paternalist push for all individuals to labour (Standing 1999, 2014, 15-16). At the level of discourse, the argument that basic income conflicts with the Nordic model is not unreasonable. Although a surprisingly large share - about half - of Europeans surveyed in recent

opinion polls claim to be positively inclined towards basic income, scepticism is more marked in Nordic countries (European Social Survey 2017, Figure 1).

Yet, analysing Nordic welfare state institutions in more general terms as governance systems presents a more complex picture. Our understanding of the status of basic income today depends greatly on how broadly we contextualise the proposal. At one level, I argue we can characterise the emergence of steps towards basic income in Denmark as a response to the exhaustion of dysfunctional regimes to sanction the unemployed that emerged in the course of the 2000s. However, the forces at work are politically complex. The attempt to 'mix' the rights and developmental traditions with a punitive regime that violates important personal freedoms led to sanctions being called into question, and partial steps to basic income coming about. Yet, if the developmental tradition thus came to the aid of basic income, will basic income come to the aid of the tradition that historically brought universal ideals such as linked with basic income into being?

To answer this kind of question we need to move beyond the descriptive focus on individual institutions and sectors of the evolutionary literature. We have to recognize that 'conversion' of one institution (like benefit sanctions) may not necessarily spell 'displacement' (Thelen and Streeck 2005,19) of the mode of *governing* – in this case the competition economy - that brought the offending policy – sanctions - about. In this context, partial steps to basic income may be playing midwife to the gestation of a bureaucratically simplified competition economy. In sum, the emergence of flexicurity, leading to sanctions, represents in reality a struggle within the Danish state between two very differently modes of governance - developmental or through the market. It is when we understand the Danish welfare state as a resilient but increasingly strained developmental governance system that we can see how steps towards basic income in Denmark today are fraught with tension.

## ii. The Developmental Social Contract and the Danish Welfare State

The Danish welfare state is recognized to share features with the Anglo-liberal type, although inclusion in basic universal schemes in both cases amount to very different welfare models, with punitive benefits in the second case, but not the first (Esping-Andersen 1990, 25-28; Kildal and Kuhlne 2005, 20). Pinning down what universalism in practice entails is difficult (Kildal and Kuhlne 2005 17-19; Christensen 2015). Below I will discuss how models of social incorporation can help by showing how combinations of schemes drawn along the lines of pure universalism and developmental stratification reinforce each other in raising the level of social inclusion.

As set out in Figure 2, the Nordic welfare model emerges through a range of different incorporating movements under the aegis of the state. In the Nordic region, the kind of systemic vulnerability Tilly (1985, 1990) has linked with the formation of centralised European states combined with egalitarian social traditions to generate conditions in which over time Nordic states became heavily embedded in society. From the seventeenth century, paternalist bonds between kings and peasantry forged during successive rounds of military conscription (Jensen 1936, 5, 280-340) were reinforced through land reform to circumvent aristocratic power (Jensen 1936, 129; Sandberg 1979, 240). Revisiting of rural property boundaries (Nothing, 1926), along with emergent public regulation of rural labour (Hvid 2016, 557), cemented a socially embedded form of public authority and legal tradition (Jonassen 1983, 34-5). Denmark was one of the first states in Europe to institute universal public

education, in 1914, pushed by an emergent education movement in the country-side across the Nordic region (Sandberg 1979, 225-226).

Hence, public incorporation of Nordic society abated competitive forces before capitalism proper set in. The state subsidized workers' organisations and farmer cooperatives (Chang 2009; Kananen 2014, 36-48, 50), and shaped emerging labour market institutions through occupational policies. Hence, workers' organisations were not - as in the US (Thelen 2004, Archer 2007), shaped exclusively through direct engagement with capital. The Danish social democratic party emerging in the 1870s did not create or represent the whole of the popular democratic tradition.

Advocacy for basic income in Denmark also bear traces of the developmental contract tradition. Hohlenberg, who in the 1930s viewed BI as a radical alternative to majoritarian social democracy (Birnbaum and Christensen 2007), formed part of a wider folk education movement. In the 1970s, BI was presented as a 'revolt from the centre', and the basis of an egalitarian humanist society (Meyer et al 1978).

Today, a developmental form of social contract in Nordic states can be identified descriptively in two features of governing. First, as shown in Graph 1 (a,b), the Danish public finance system entails a high level of socialisation, and public spending is resiliently more human development-orientated compared with other countries. In addition, Nordic public policy tends to promote equality and incorporation along human development dimensions. Notably, the importance of 'age-related social risks' in the Nordic model is stressed and related with trust formation by Birnbaum et al (2017,4), and with developmental freedom and public property rights in economic stability (Haagh 2012). Here I argue however both phenomena are a consequence of a wider, dynamic developmental governance model that cannot be reduced to parts, static norms, or particular items of spending. This model is distinctive not for its focus on age categories as much as the support of developmental processes and social relations. High social spending on specific risks is an important background factor, but does not *explain* how the system works or is reproduced. I will argue here that adaptation of developmental norms to the reframing of new problems can be shown to regenerate developmental governance and expectations through everyday practical reasoning within institutions of education, occupation and public administration. The upshot is a form of active democratic tension and resistance which in turn can be shown to have had an important role to play in recent moves to, and debates about, basic income in Denmark.

To further explain, where market-based rights-obligations structures tend to emphasize job-readiness, compulsion, punishment and individualised responsibility through direct contracting, developmental governance model tends to have a humanistic orientation, in the following three senses: The structure of education prioritises personal and social development. The governance of contributory expectations emphasizes incentives over exclusions or punishment. And, cooperative values and practices tend to be inculcated and governed through socialisation rather than compulsion. To exemplify, in the Danish education system, historically, a solidaristic element is exemplified in regulation to promote parity in resourcing for students in public and private schools (Haagh 2012, Undervisningsministeriet 2004). A humanist element is involved in state intervention to delay exams, and suppress competition (Steinmo, 2010, 71), and in an emphasis on 'wholeness' and the teaching of independence and critical thinking (Loftager 2004, 118-121). Finally, a liberal element is perceptible in governance autonomy of schools, and a diverse offering of further

education courses. The upshot is, reciprocity in society tends to take a general social and temporal (inter-generational, cross-class) rather than direct form.

If then both market and developmental governance have self-reinforcing properties, and stand in tension, within individual systems, historically, the Nordic pull more towards the developmental logic. Moreover, overall functionality of developmental governance entails this form is more stable. After the 1990s, however, changes in social policy in Denmark – as in other Nordic states, imposed by global pressures, entailed a push towards the market model, without abandoning the developmental contract model. Next I explore how the focus on developmental governance extends on prevailing models of welfare comparison and social incorporation.

### iii. Comparative Capitalism, Social Incorporation and the Equality Paradox

The extant comparative welfare literature groups states according to how different actors have shaped capitalist development. The welfare literature focuses on labour process, and the Varieties of Capitalism on the organisation of business. A problem however with an account of modernity as thoroughly capitalist is that equating economic formalisation with capitalist development, presents an unrealistic idealisation of informal society. In basic income debates this has led to a tendency to see basic income as a source of escape from modern ‘structure’, leaving out of view how basic income is likely to emerge from within the public sector.

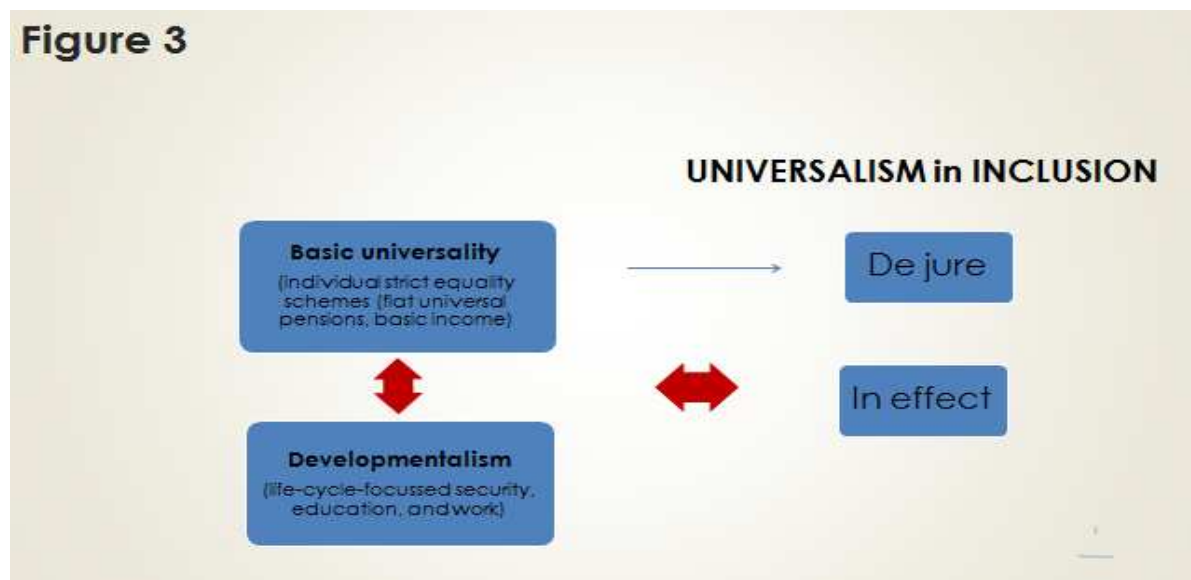
An analogous problem is evident in the term ‘de-commodification’ used by Esping-Andersen (EA) to set the Nordic states apart. Specifically, there is a disjuncture between how Esping-Andersen explained the Nordic type, and how he classed it. According to EA’s account, solidaristic labour action (1985, 57-78) and class-coalitions (1990, 16-18) – e.g. bargaining *within* production (formalisation), explained the Nordic welfare state’s emergence. Yet, a high degree of de-commodification (1990, 21-26), the granting of security *outside* production, defined its form.

An alternative to thinking of freedom as security outside the formal economy is to enquire how individuals attain states of enjoying economic stability through the democratic development of shared property rights in multiple sources of security generated within society. Relatedly, Offe (1984, 42) suggested a ‘developmental tendency’ in mature capitalism might bring a basic income about from ‘within’ the structure. Yet arguably, the tendency in question is not inherent in capitalism but in variants where – as in Nordic states – public support of human development has gained ascendancy. This brings into view the role the public sector plays in shaping the direction formalisation takes. Hence, Denmark did not become more egalitarian (than Germany) only in the 1990s as suggested in recent analysis of the Danish case within the Varieties of Capitalism literature (Thelen 2014, 9-13). Thelen is right liberalisation (after the 1990s) was more egalitarian in Denmark compared with *other countries*. However, Denmark becomes less egalitarian and more punitive compared with the *past* (Haagh 2001; Torfing 2004; Larsen and Andersen, 2009; Caswell, Larsen and Marston 2010).

Accordingly, to explain how developmental incorporation has sustained high social equality in Denmark, and recent strain in this model frames the basic income debate today, below I adapt Korpi and Palme’s (KP) analysis of alternative models of social incorporation.

KP sought to explain how – paradoxically - public pensions systems characterised by inequality produced overall equality among pensioners. They reasoned that bringing social group stratifications within the public system ultimately led to more redistribution (the redistribution paradox). Accordingly, in Figure 4.a, Diamond No 5 – KP’s ‘encompassing’ model represents a pension system based in a combination of basic and contributory provision, resulting in high coverage, class inclusion, and low inequality.<sup>1</sup> Critics of KP’s model claim it is no longer relevant in the sense that, today, the link between targeting and inequality is less clear (Marx et al 2013, Brady and Bostic 2013). Yet, critics can say this and be right only because society has changed away from a form of social incorporation that promoted stable inclusion towards a labour market based on greater income stratifications and precarity. Where inequality in the market is higher, the public sector has to work much harder to even it out. This is also Hills (2015, 38) conclusion when he observes it is still the ‘overall scale’ of welfare spend that matters for the effect of spend on social equality in a given society.<sup>2</sup> My argument is that the only way a scale effect can be (and in Nordic states has been) achieved is by promoting equality and developmental security both within and outside production. Consequently, I suggest we need to rework the redistribution paradox as a broader Equality Paradox: developmental governance is an instrumental factor in translating the effect of basic universality in particular schemes into universalism in inclusion or in effect (Figure 3). This involves four basic adaptations of KP’s argument.

First, a basic distinction needs to be made to interpret KP’s model in the way I intend, between targeting by design and effect. Targeting by design involves means-testing through a particular scheme: in *theory* all are entitled *if* in a certain situation. Targeting by effect occurs where only certain groups enjoy real advantage from a certain scheme - what Esping Andersen referred to as ‘flat-rate universalism’ (1990, 25). The implication for basic income debates is important, by revealing how *despite* the universal (strict egalitarian) design of the scheme, a basic income may operate as an anti-poverty, targeted scheme *by effect*.



<sup>1</sup> In diamonds 1-4 large chunks of society is left to find informal or private cover. In the case of Diamond 2, the British model of public provision, there is universalism, but at a low level.

<sup>2</sup> Hills (40) suggest the erroneous public perception that the poor have become more costly is related to a moral bias against supporting working age adults. In reality, it is the stratification in *market incomes* that has reduced the equality effect of public transfers (Hills 44).

Consequently, second, to show how – in the case of Denmark - incorporation works through developmental governance, it is necessary to broaden KP's model beyond pensions. Denmark introduced an effective two-tier pension system later than other Nordic states, in 1987. However, considering the two-tier income insurance model in Denmark (basic assistance and voluntary unemployment insurance contributions), dating to 1907, Denmark already had an encompassing model of welfare. In addition, the Folk education systems is in effect a two tier system: in countries like Denmark and Sweden, private schools charging small fees, yet heavily subsidized by the state (in Denmark to around 85 % of costs), are publicly 'incorporated' private schools (Haagh 2012). Differently shaped two-tier systems are endemic across human development supporting institutions in Nordic states. Indeed it is *because* this is true that basic income fits well within the developmental social contract tradition in Nordic states.

Third, I think KP's model works best as an incorporation model, because incorporation has the effect of diluting class. KP argue a feature of Nordic incorporation is that defection is avoided because upper classes have the opportunity to pay into systems that protect their market earnings. So described however their model is made to sound a bit too much like a (static) class interest calculus. Another way of putting their argument is to say citizens in Nordic states are moved to support overall universality of outcome through socialisation in developmentally structured shared institutions.<sup>3</sup>

Accordingly, fourth, I want to make KP's incorporation model more dynamic, by showing how developmental governance supports universalism in effect over time. Conversely, where developmental governance is curtailed, universalism begins to leak. The first, affirmative, proposition is that developmental governance supports a positive mutual effect between different aspects of freedom within and across the design of different welfare schemes. Developmental freedom is broadly the freedom to be secure in life-course terms (Haagh 2007, 2015). Independence freedom is the freedom to enjoy security in your own name, as of individual right. Cooperative freedom is the freedom to choose affiliation. The Danish (and Finnish) UI systems share certain liberal rights features with a basic income institution which speak to these forms of freedom combined. Unlike in other European systems, state-backed occupational insurance in Finland and Denmark is voluntary. (Indeed it may be no accident that BI experimentation is more advanced in Finland and Denmark). Although BI is non-contributory and UI is contributory, both are based on individual entitlement unrelated to spousal income and means. Both enhance economic stability: BI offers low, permanent security, and UI longer-term, generous, wage compensation. Finally, BI supports autonomy of action, UI voluntarism in contribution. In all, both BI and UI – though different - compare favourably with contemporary means-tested basic assistance schemes along dimensions of – simultaneously -respect for individual and developmental status of persons. My point here is, this human-centredness in design and effect of welfare transfers is rarely achieved through a single scheme.

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<sup>3</sup> In support of this, attitudes towards equality are more 'integrated' (coherent across dimensions) in Nordic states (Svallfors 2006, 69, 163, 2007, 216-7). Greve (2017) reports a shift in Denmark during a period of rising inequality, from preferences for low taxes to better services. In 1994 about half of all Danes want lower taxes, and slightly less want op better services. By 2015 this ratio shifts to one-third for lower taxes, against two-thirds who want better public services.

BI advocates often argue against public subsidy of the UI system, given the more generous level of UI compared with basic (non-contributory) security. In simple fairness terms they have a point. However, public subsidy of the UI system has not only enabled redistribution *within* the UI system.<sup>4</sup> In addition, through interstate comparison we can surmise a more secure occupational system – attained through standards, wage bargaining, and income-related insurance (UI) - has the effect of ‘lifting’ the base.<sup>5</sup> In the 2000s, Denmark and Britain both had the most generous level of basic assistance in the EU relative to the lowest wages. But in Denmark the level of both are much higher than in the UK (Haagh 2012, 575).<sup>6</sup> The period in which Denmark came closest to a BI scheme – e.g. when administration of basic assistance was most lax, in the late 1970s and early 1980s, coincided with the height of affiliation to occupational schemes. Accordingly, in Diamonds 6 and 7 in Figure 4.b I suggest a resilient (if strained) model of Developmental Equality has obtained in Denmark and other Nordic states.<sup>7</sup> A basic income could play a pivoting – system stabilising – role in consolidating such as model today, under certain conditions. For example, presence of more developmental security systems makes it likely different groups benefit in a real way from basic income. Individuals and institutions can plan to combine basic income and other schemes (sabbaticals might be negotiated if unions are stronger, for instance). KEEP<sup>8</sup>

However, we also see a reversed effect. Looking at incorporation models over time, we can surmise that corrosion of developmental forms of governing imperils incorporation in both so-called liberal (Anglo-Saxon) and social democratic (Nordic) models. ‘Leakage’ results from corrosion, when barriers to entitlement entail persons drop out of formal systems of work or income support.

Next I discuss how resilient elements of developmental governance have worked to contain this form of leakage in Denmark, yet the practice of flexicurity has corroded developmental governance, generating a complicated backdrop for the debate about BI reform.

#### iv. Welfare contractualism in Denmark: Flexicurity, Sanctions, and the Developmental ‘Rebound’ Effect

In the post-war period, contractualism in Denmark divides into 3 phases, ‘developmental’ till the 1980s; ‘new contractualism’ (Ervik et al 2017) involving flexicurity, after the 1990s; and neo-conservative market-contractualism – or the ‘competition state’ during the 2010s (Petersen 2017, 152), defined by the rise of directly punitive sanctions. The punitive turn in state governance across

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<sup>4</sup> Without tax subsidy, premiums on lower earners would have the effect of excluding them (Bjørn and Høj 2014, 10; Haagh 2013b)

<sup>5</sup> Within Europe, the Danish UI system applies the lowest sanctions on voluntary quits, and also operates the most flexible contribution requirements, and the shortest waiting period, Bjørn and Høj 2014, 9-20)

<sup>6</sup> The lowest value of income protection in Britain is the highest relative to the average wage in the OECD, at 70 %. Denmark’s is the next highest at 61 %, with the OEECD average at 41 % in 2005 (Haagh 2012, 575). However, since wages inequality is lower in Denmark, and in absolute terms, average wages are higher, the absolute value of the lowest level of income support is higher in Denmark compared with Britain. The lowest level of income support is far more generous in Denmark, than in any of seven most similar European countries examined. For a single person over 25 it was about 7,800 kr per month in 2013 after tax (Bjørn and Høj 2014, 23-24), compared with about 2,756 kr in Britain, not counting housing support in either case.

<sup>7</sup> Diamond 7 is more like the Danish system, with elements of compulsory and voluntary social and occupational insurance, the latter subsidized by the state.

<sup>8</sup> In Denmark, for instance, public funding and tripartite governance have joined up historically in defense of employment protection of people with reduced work ability (so-called skåne-jobs, or senior-jobs).

mature economies since the 1990s can be viewed as an evolutionary response to the withdrawal of developmental protections within production (Haagh 2018): The tendency of ubiquitous competition to exclude large sectors of the population that predictably follows, leads to the invention of more crude means to ‘incorporate’ society. Sanctions regimes, in short, are a ‘last resort’ attempt by disempowered states to ‘govern’. Below I consider how the embedded rights and developmental contract tradition in Denmark contained this punitive tendency by ‘softening’ the sanctions regime and eventually generating opposition to sanctions.

As in other countries, in Denmark state-led attempts to lighten the bureaucratic divide between different classes of basic benefits (e.g. basic unemployment, sick-pay, ‘job’ready’ support Arbejdsmarkedstyrelsen 2007, 10-14) has been under way since the early 2010s. This exemplifies how in general a silent transition to BI is occurring within European welfare states. At the same time, the balance between market-administrative and developmental governance shapes how this is occurring. Implementation of British and Danish sanctions regimes since 2010 has been described as intense (OECD 2012), in both cases affecting about 25 per cent of benefit claimants every year (Adler 2016, Haagh 2018b). However, in the UK, the roll-out of Universal Credit (simplification through uniting 7 different benefits) since 2014 has not led to abatement of sanctions (WPC 2017, Haagh 2018). By contrast, in the Danish case, a public culture of rights-scrutiny can be shown to have had a manifest impact on changes in the sanctions regime. Danish authorities have taken a lead in investigating and publishing health outcomes of sanctions, detailing the numbers receiving medication and effects on individuals facing homelessness or addiction to drugs, leading to suggestions for revision of practice (Ankestyrelsen 2017, 16-17). One public report noted that municipalities that had a high use of sanctions were less effective (Arbejdsmarkedstyrelsen 2008, 4-5, 20-22), and another suggested over-complication of the system might be at stake, and sanctions are “too harsh” (Arbejdsmarkedstyrelsen 2007,14-15). In 2014, government-led investigations ensue in a more marked fall in sanctions following a reform of the system. As a share of unemployed, the number peaks at 23.9 % in 2011, and then begins gradually to fall, with a more marked fall in 2014, to 16.6 % of all benefit recipients.(Beskæftigelsesministeriet 2016a, 5).

There is evidence that the more diverse form of developmental security in Denmark has softened the impact of sanctions. As distinct from Britain (Clasen 2001), Danish sanctions regimes have two levels, which reflect the composite character of economic security. In the UI system, less sanctions are given, and claimants can anticipate sanctions (Bjørn and Høj 2014), indicating a measure of control prevails.<sup>9</sup> In the basic assistance (BA) system, sanctions are more frequent, but have three distinctive features (compared with Britain): they are shorter, and more health-contained and education-defined. First, in the BA system, 96 % of all sanctions are point sanctions, reducing benefits for up to one or two days in a month (Beskæftigelsesministeriet, 2016; Klos 2014, 20), compared with 81 % in the UI system (ibid. 15). Second, there is evidence social workers in municipalities avoid sanctioning vulnerable groups, and this explains why those sanctioned are in better health (Caswell et al (2011, 10).<sup>10</sup> Third, sanctions are used ‘educationally’, with a large number (over 42 %) estimated to be linked with an intention to ‘bring up’ and ‘bring within’ young

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<sup>9</sup> In 2011-1, in all 3.8 % of unemployed men, and 2.3 % of women, on UI benefits were sanctioned, compared with an average of sanctions of all unemployed in municipalities, of 28.8 % (Kors, 2014, 6). Within Europe, the Danish UI system applies the lowest sanctions on voluntary quits, and also operates the most flexible contribution requirements, and the shortest waiting period (Bjørn and Høj 2014, 9-20)

<sup>10</sup> Danish social assistance law (Parg 13 of LBK nr, 190 of 24.02.2012, Lov om Aktiv Socialpolitik) mandates concern for recipients’ vulnerability.

men in particular (Caswell et al 2011, 41). The positive role of education relative to administration in Denmark is shown in Graph 2 (a-c).<sup>11</sup>

As discussed, an obvious risk in benefit sanctioning is 'leakage', whereby the discouraging impacts of sanctions entail citizens disappear from records and lose entitlements in effect. Leakage is occurring but is comparably less severe in the Danish case. At its height, in 2010, self-support without income, (or in Danish *selvforsørgelse uden indtægt*), affected around 20 thousand individuals, or 15 per cent of the self-supporting population, and 0.6 of the economically active labour force. By 2015 the size of this excluded population was halved, albeit still affecting just under 2 per cent of the unemployed (non-student) population (Table 1). By comparison, in Britain, it is estimated non-take up of benefits doubles, from a third to two-thirds of individuals entitled, during the implementation of sanctions (The Money Charity 2016).<sup>12</sup>

The lower levels of leakage in Denmark can be presumed linked with a more developmental administration of sanctions. In addition, the process of public scrutiny led to a gradual reversal of the punitive administration of sanctions. Graph 2 (a-c) shows how in 2010 Denmark rackets up its spending on both administration and training, in the attempt to make flexicurity 'work' through (typically compulsory) education. By 2014, however, this rushed response to administratively enforced education is somewhat contained, coinciding with a fall in sanctions (below). Meanwhile, the level of education spend is sustained.

Eventually, state commissioning of experiment with administration of sanctions encouraged several municipalities to try out lifting sanctions. Kalundborg reported a doubling of activation rates after participation was made voluntary (Cuber 2018, Solås 2018). Aarhus municipality combined the lifting of conditions with external funding to offer the unemployed additional resources to support self-employment. The processes of implementation of experiments and reasoning about sanctions reveal how reproduction of developmental and solidarity norms intercede. In the case of Århus, social workers interviewed reported how initial scepticism was overcome through implementation, as opportunity to "sit down with the client as an equal, as a citizen" came to be valued.<sup>13</sup> Leaders within political parties supportive of sanctions report a concern that lifting sanctions should not become a path to 'giving up' on people – employment services should be converted to a form of public outreach when activation is made voluntary (Gejl 2016). There is also evidence of solidarity among better-off groups within the UI system and those on basic assistance. The managing director, Simon Bauer, of the UI fund 'Min Akasse' in a public TV debate (Min A-Kasse, 2012) expressed opposition to sanctions for both groups. An unemployed person should be thought of as 'employment-hunter', to emphasize citizen status and the self-motivation that Bauer believes drives behaviour, regardless of status.<sup>14</sup>

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<sup>11</sup> In Denmark public investigations found an average error rate of 320 per cent in municipalities, against under 4 per cent in the UI system (Arbejdsstyrelsen 2012, 6-7).

<sup>12</sup> The manifest and growing presence of leakage in Britain, is represented in the holes at the bottom of Diamonds 1 and 2 (Figure 3).

<sup>13</sup> Fredericksen (2018) and Jensen (2018).

<sup>14</sup> The main subject of the debate was the stand of an unemployed Danish citizen, 'John', heavily featured in social media, who refuses to take "a job at MacDonalds for 100€ an hour". Bauer dismissed John as a typical case, but he also expressed sympathy with persons like John with qualifications stuck without meaningful work. His conclusion was more should be done to place a burden on the public to shape opportunities in society

In sum, taking the factors discussed into account it is plausible to argue transitions to basic income in Denmark are emerging from within the Danish developmental system of governing, yet this transition is complex. Consequently, below I discuss how conversion of basic assistance systems to BI would address dysfunctions in postwar welfare design, yet entrenchment of the flexicurity ideal imperils the occupational governance of work that has been a dynamic factor in high social equality.

#### v. Developmental Governance, Flexicurity and the BI Proposal in Denmark

Basic income reform – the lifting of conditionalities and means-tests in access to basic security addresses short-comings in the postwar welfare model that flexicurity deepened. In the 1970s, debates about poverty traps linked with means-testing in Europe and America focussed on earnings disincentives: why give up public assistance for a paid job? As administration and compulsive regimes intensified after the 1990s, the poverty trap was compounded by class, security, administration, and ownership traps. In conditions of rising market uncertainty, the ‘dual citizen’ model regenerated an old stigmatizing divide, between owning and non-owning citizens: means-tests entail a person must exhaust all savings before qualifying for public assistance (as noted, in Denmark this illiberal policy did *not* obtain in the occupational system). The ownership trap keeps those on assistance poor and without aspirations. In addition, it leaves ‘other’ groups in the constant fear of losing all, as savings must be exhausted before help is at hand. Basic income would resolve these basically unjust and unproductive status distinctions.

Consequently, BI is potentially ‘pivoting’ (Haagh 2017) – e.g. it stabilises the conditions for systems’ effective function by consolidating independence status of society’s constituent parts. Stabilising the monetary basis of daily existence, it enables individuals’ lives, and services that support such lives, to function better. We have very elementary evidence from experiments of this potential effect. In Århus, for instance, findings of a 2016/7 experiment that followed 100 unemployed who received development grants without conditions (mentioned above) highlighted how in a majority of cases some ‘rehabilitation’ was a precondition for productive plans. This involved permission to prioritise spending on means to function, in the form of personal infrastructure, such as a bicycle, a computer, work-tools, or a driving licence, or/and spending on personal health and appearance, like dental treatment or glasses.<sup>15</sup> Second, restrictions on ‘owning’ (which legally remained) was exposed as a major barrier to productive endeavour. In one case, where a person decided to use his development grant to buy a van to start a business, social workers had to consider legally take ownership of the van, or just ‘hire’ it, to enable the experiment to continue.<sup>16</sup>

To further understand the challenges connected with both developmental governance and basic income reform in Denmark it is important to appraise how ‘flexicurity’ in Denmark did not work as prescribed. First, flexicurity failed to incorporate. If we count everyone under the age of 64 not in work, the ‘real’ number of non-workers in Denmark in 2015 was around 1 million people, that is nearly a third of the labour force (of 3.37 million, Table 2).<sup>17</sup> The main effect of flexicurity was to

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<sup>15</sup> Århus Kommune 2017.

<sup>16</sup> Interview with senior social workers in Århus municipality, 5<sup>th</sup> December 2016. Several other recipients wanted or needed to own equipment, e.g. an industrial oven to facilitate a bakery business, fitness equipment, coffee-making equipment, tools to support a gardening business, and so on. Århus Kommune 2017, pp 11-13.

<sup>17</sup> This figure includes the rounded up data given by Danmarks Statistik of the following categories: those in receipt of either UI or income assistance (114,000 persons), those in activation and not in work (8,000), the ‘rest of the population

hollow out developmental incorporation systems without replacing them with dynamic alternatives. To illustrate, when Hills (2015, 38) remarks that Danish social policy became more *targeted* after the 1990s, he is not wrong, except the model became more targeted not by design, but effect. The two-tier model, based on basic combined with contributory (developmental top-up) security was not abandoned, but cuts in entitlement (such as from four to two years in 2010) entailed a large chunk of the labour market – an estimated 80,000 persons since 2010 (Kirk 2015) fell outside the developmental (UI) system, becoming instead reliant on means-tested support. Table 3 shows how legislation to force individuals to become more job-ready facilitated the change. This raises the question, is flexicurity moving Denmark towards Esping-Andersen's (inherently low-level) 'flat-rate' universalism, and would basic income facilitate this transition?

Second, flexicurity did not work as a *market-clearing* system either. A hall-mark of flexicurity is high turn-over, with opening of 25 per cent of all employment positions on an annual basis. Average tenure is lower in Denmark than in other Nordic states. Yet, age-cohort data suggests flexicurity still conforms to a degree with Esping-Andersen's (1999, 157) 'Schumpeterian omnibus', e.g. the bus of 'undesirable' (including short-duration) jobs is always full, but the passengers change. Even at the height of flexicurity, short job duration is more markedly linked with youth status than the generic 'flexicurity' term suggests.<sup>18</sup> This shows Denmark still has a developmental economy, but on a destabilised basis. [MAYBE: The main incorporation problem is how far historically high 'career mobility' (Oesch 103), through progress to quality jobs, and occupational stability and standing, remain. The period of flexicurity has seen a seminal shift away from youth entering manual occupational training systems, from over 40 % in the 1990s (Anker 1999), to just under 20 % in the late 2010s (Tesfaye 2013).<sup>19</sup> Hence, third, it is not clear flexicurity has been a source of upgrading development. According to Hansen et al (2017, 4-5), businesses have responded to low-tax and high-fire incentives by pursuing wage compression rather than production innovation, resulting in a flat-productivity strategy (Productivity commission 2014, cited in Hansen et al, 4).

#### v. The Politics of Alternative Basic Income Transitions in Denmark

To surmise, what we are seeing in Denmark is a form of stalemate, in the form of a slow decay of developmental governance: Flexicurity cannot incorporate, yet the sanctions system and absence of 'real' occupational policy entails a new development model cannot be born. In this context, it is interesting to revisit the current status of developmental governance and the BI debate.

First, though the developmental security tradition has been challenged, it has proven adaptable. The automatic linkage of union and UI membership was untied by legislation in the 1990s as part of liberalisation reforms. In addition, UI funds lost members by legal disqualification (above). Yet the fall in membership is less than expected, at around 4 per cent during the 2010s (Danmarks Statistik

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'not in work' (518,000), typically on early retirement transfers, e.g. either UI-related 'efterløn' or the system of early retirement state benefits, 'førtidspension', long-term sick, or persons who 'regard themselves as unemployed'), and students not in work (344,000).

<sup>18</sup> Over 50 per cent of women in their late teens change job on an annual basis. By age 35, the share of women who do so is under 20 per cent, and then – as for men – starts to drop (Ilsøe 2017)

<sup>19</sup> A government target of 30 % (Jyllandsposten 2018) suggests Danish policy makers are concerned about the fall, but complain about both lack of standards (Øhlenschläger 2018) and standing (Tesfaye 2013) of manual occupations suggest the hollowing out of occupational policies under flexicurity have a role to play.

2017a). Surveys indicate many members lost as a direct result of eligibility cuts intend to return (Danske A-Kasser 2014). UI institutions have adjusted to adversity by extending eligibility for the unemployed and students (ibid).

The general reasons Danish citizens have for joining developmental insurance institutions remain the same: The UI funds still generate a longer and more generous level of income cover.<sup>20</sup> In the period October 2016 till June 2017, a fall of just under 3,000 paying (employed) members, was more than made up by an increase of about 10,000 young student members (Danmarks A-Kasser 2017a, 1).<sup>21</sup> Finally, despite challenges linked with falling membership, the UI and workers' organisations still operate in many ways as an occupational system. In their on-line platforms UI institutions encourage union membership. The workers' movement is growing through the rise of cross-occupational unions. In sum, the evident advantages of developmental security and solidarity systems, combined with new low- or non-payment options - may help explain how the occupational systems - despite being challenged - remain powerful inclusion structures in Denmark today.

Nevertheless, the question remains how occupational systems can remain broadly inclusive in the face of a high level of non-employment participation, and a clientelist social transfer system that works more as a passification than an effective inclusion structure.

On the one hand, several employers groups in Denmark have shown interest in basic income reform, and – as in other countries - tie it to further flexibilisation of the market in labour. Asked to imagine a basic income economy, the former CEO of a large super-market chain in Denmark saw BI as complementing the existing system of collective frame bargaining, combined with greater flexibility in (local) labour relations (Josefsen 2018). Employers, he argued, would benefit, because workers not motivated to do the job required could leave, adding that through this power of 'exit' workers could even hold 'bad employers' accountable.

This possibility is contested by labour leaders and MPs of the core left party in Denmark - Enhedslisten who envisage that under a future (low) basic income, workers who wish to attain an acceptable standard of living would be forced to work with less protections (Sørensen 2016). Any vulnerability would lead to exclusion. Basic income is the so-called red rose with blue thorns.<sup>22</sup> Sorgenfrei, leader of the largest public sector unions, believes the power of collective bargaining structures would be eroded by high local-level flexibility in labour relations, fearing 'the neo-liberals would win' in this scenario (Sorgenfrei 2018). Wage bargaining has already been heavily decentralized in many areas in Denmark. Supposing a basic income is low, and built up systems of developmental security are traded for a basic income reform, it is reasonable to suppose basic income could erode the value of wages, the power of workers, and the wider extension of security systems.

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<sup>20</sup> The labour market remains considerably more secure for average earners in Denmark compared with other countries. The maximum rate to which the 90 per cent cover could go in Denmark in 2013 was 17,336 kr, compared with flat rate for UI contributors over 25 years in Britain of 2,756 per month, e.g. 15.9 per cent of the Danish rate. In Denmark the average compensation rate of a whole unemployment period in 2011 was 67 percent (Bjørn og Høj 2014, 27-28) to 100 % of average salary, but 88 % for those (previously) earning 2/3 of the average wage. For the UK the rates are 28 and 33 percent.

<sup>21</sup> A slow seminal decline in union membership – following the global trend – since the 1970s has stabilised. Between 2015 and 2016, membership grew at a very small percentage of 0.4 (Danmarks Statistik 2017a).

<sup>22</sup> This reference was made several times from representatives of the Danish socialist party, Enhedslisten at a conference on basic income in the Danish parliament on March 15<sup>th</sup> 2018.

Sørensen (2016) is concerned that proposing a basic income as a form of simplification of welfare payments *as a whole*, by introducing a principle of strict equality as a dominant distributive norm, *in practice* would place many vulnerable groups at risk. In this scenario, vulnerable individuals must apply for additional assistance on a case by case basis, where otherwise systems might be in place that *offer* assistance and sustain wider social solidarity norms. Sørensen recommends instead an offensive strategy based on collective work reduction without reduced pay to a 30 hour week, combined with a reversal of progressive tax cuts, and an end to sanctions within both UI and basic assistance (ibid. 11).

Whilst I agree with Sorgenfrey and Sørensen's observations concerning the risk of a displacement route to basic income reform, e.g. basic income traded for the developmental systems of spend and regulation, I do not agree this trade-off is necessary (Haagh 2011). Sørensen wants an offensive strategy focussed on strengthening 'universal rights to education, health and welfare'. Basic income fits within this strategy, and does not need to entail breaking with public subsidy of other developmental security systems.

The strategy I suggest of a careful reworking of developmental systems has some similarities and differences with other proposals that involve a partial adaptation of flexicurity systems. As an example, Hansen et al's (2017, 6-7) recent scheme for a revitalised 'unemployment system', situates 'opportunity for' BI at the base along with a new compulsory UI system, with assistance for all of three month duration, and a public job guarantee (at the minimum wage). The proposal rests on a renewal of the old Swedish activation system, or Rehn-Meidner model, built on equalisation of wages in industry through collective means, placing thus the burden on employers of the cost of competition and economic adjustment (ibid., 5). The key merit of Hansen et al' proposal is that it sets the employment and unemployment systems together. It is a systemic proposal that by scope recognizes how the economy functions as a governance system. Moreover, it recognizes the unsustainable character of a competition model based in bare labour flexibility. Yet the question is whether a more radical break with the flexicurity model is required.

Hansen et al's model relies on a high level of labour market-readiness, and to that end continues to cut life-course security in favour of enhancing labour mobility. A three-month UI cover for all is comparably very short. In addition, the premise individuals should choose UBI *or* activation generates a direct form of state administration of employment transitions which opens the door to reintroducing behaviour controls down the line: their proposal in fact is not a UBI scheme, in the sense that a UBI is not continuous or guaranteed separately and through the life course. Hansen et al rely on raising wages as an innovation-inducing strategy. This to some extent shuts over the extent to which high effective economic stability in society and for individuals in Nordic states emerged historically through the democratic development of shared property rights in stability. E.g. it was through public owning of both the rules (developmental governing) and the resources (public finance and services) that a comparably high level of effective freedom evolved.

By historical comparison, a downside of the Swedish Rehn-Meidner model was its curtailment of autonomy: individuals could be forced to move towns to continue to enjoy social benefits. An alternative is to rely on some features of the Rehn-Meidner model, specifically the stabilisation of production factors, through securing the rights-foundation of shared resources combined with new ways of tying collective development planning with reviving occupation economies. A wider reform

(and stabilisation) of money economies, such as proposed by Christensen (2019, 90-91) is a solid basis for reworking developmentalism and the rights-based public services tradition in a way basic income fits within it. The idea of basic income sitting within a wider collective reclaiming of development is not radical in a Nordic context. An oft-forgotten historic aspect of Nordic public policy is heavy regulation of land and national ownership of natural resources (Sanders et al 2016), and of course public money (Ferguson 2008, 48-49, 125). On some accounts the *popular* money economy, that is, the dissemination of property ownership and the wide circulation of money, was not an Anglo-liberal but Nordic invention (Sandberg 1978). In this sense, democratic (liberal) capitalism is in fact quintessentially Nordic. In all, a continuous BI is more likely to support Hansen's goal of raising the (effective) wage level, although the quid pro quo is greater reliance on non-wage (such as developmental, social, and occupational) incentives to encourage contribution to society on a voluntary basis.

## Conclusion

In summary, four broad points may be drawn from my discussion of the role of basic income in contemporary welfare state transformation in Denmark. First, an Equality Paradox may explain why basic income is emerging more rapidly in high equality countries such as Denmark, in which developmental incorporation translates universalism de jure into high levels of inclusion de facto. Second, however, the forces that in this argument make universalism effective and sustainable are under increasing strain. However, we can see that competing forces are playing themselves out in the context of state administration of flexicurity policy.

Denmark can be considered a 'best-possible' case for BI reform in the sense that high tax and spend on social transfer combined with education makes it plausible. Hence, third, the Danish case illustrates key background factors that are shaping 'real-life' transition to basic income within and beyond Europe today. European states are stumbling towards basic income almost unconsciously, as those in charge of social transfer systems are trying to streamline systems based in increasingly complicated and randomised labour stratifications. In this context, basic income can be a catalyst for two quite different developments, either a reworking of developmental governance or a further extension of the market. The concern in the second case is that if – in the Danish case - a BI were to be traded for a further corrosion of developmental security it would become in effect - if not by design - a targeted anti-poverty scheme, defined by those *depending on it* enjoying an overall much lower share of social resources. This also explains the 'justification' problem that paradoxically BI suffers in Nordic states.

In overall summary, basic income is a rational response to the punitive character and administrative inefficiencies of means-tested benefit systems. BI can be considered necessary to rescue modern market democracies. To the extent such systems are predicated on effective incorporation, large-scale, diversified support systems are necessary. If such systems – as in the case of means-tested assistance – prevent individuals from owning, saving and affiliating on a stable and equal basis with others such systems will corrode from within, as states are assisting markets in excluding citizens. The fact that this is also happening - albeit in a more 'assisted' way - in high equality countries like Denmark is a powerful argument for BI reform. At the same time, basic income does not itself address market inequalities, or the way such inequalities reinforces socially punitive governance over time. In the Danish case, the developmental tradition contained the punitive character of the

state's reinforcement of the market, both historically and recently. Yet, flexicurity also drained the tradition that made this mode of governing initially plausible. The direction of basic income debate and transformation in Denmark therefore remains to be seen. What we can predict with certainty is that the fate of basic income and developmental governance are bound up with each other.

**Table 1 Self-supporting population – with and without private and public income**

Year	A Economically Active Population	B Self-supporting without income or public support	C Unemployed population a. Brutto / b. on transfers not in work, excluding those in study c. b, but including those in study	D Self- supporting without income, public support, transfers from own enterprise	D as % of Ca, Cb, B, A
			a. b. c.		
2010	3,348.200	129,300	163,454	20,151	12,3 - 15,6 0.6
2011	3,344.400	130,000	159,241	17,654	
2012	3,339.300	132,600	161,236	13,483	
2013	3,339.000	132,100	153,082	11,947	
2014	3,349.800	134,200	133,243	11,684	
2015	3,367.700	134,700	122,519 656,000 1000,000*	10,971	8,95 1,67 8,1 0.32
2016	3,394.200	137,600		-	
Change 2010- 2016					

\* This number includes the rounded up figures given by Danmarks Statistik of the following categories: those in receipt of either UI or income assistance (114,000 persons), those in activation and not in work (8,000), the 'rest of the population no in work' (518,000, typically on early retirement transfers, e.g. either UI-related 'efterløn' or the system of early retirement state benefits, 'førtidspension', long-term sick, or persons who regard themselves as unemployed), and students not in work (344,000). Source: Beskæftigelsesudvalget 2017, BEU Alm.del Bilag 250 Offentligt 2016/7, <http://www.ft.dk/samling/20161/almudel/BEU/bilag/250/1765825.pdf>, and Danmarks Statistik 2016: Stigning i arbejdsstyrken, <https://www.dst.dk/da/Statistik/nyt/NytHtml?cid=20990>

**Table 2 Labour Market Incorporation, thousands**

	2008	2009	2010	2011	2012	2013	2014	2015
	1.000 persons							
15-64 labour force	<b>3608</b>	<b>3618</b>	<b>3620</b>	<b>3615</b>	<b>3613</b>	<b>3616</b>	<b>3628</b>	<b>3645</b>
	<b>2911</b>	<b>2904</b>	<b>2874</b>	<b>2866</b>	<b>2842</b>	<b>2826</b>	<b>2833</b>	<b>2861</b>
Employed	2810	2727	2656	2645	2623	2624	2641	2680
Full-time	2150	2048	1984	1987	1977	1983	1996	2022
Part-time	660	679	672	658	646	640	646	<b>658</b>
Job-ready	101	177	218	221	218	202	191	180
Seeking fulltime	73	135	165	164	162	150	142	137
Seeking part-time	29	42	53	56	56	52	50	44
Outside the labour force	<b>697</b>	<b>714</b>	<b>747</b>	<b>749</b>	<b>771</b>	<b>791</b>	<b>795</b>	<b>785</b>
Desire employment	135	149	161	189	178	182	203	176
Does not desire employment	562	566	585	560	594	609	592	<b>609</b>

Source: Beskæftigelsesudvalget, Bilag 250, 2. June, 2017, anf Danmarks Statistik: Stigning i arbejdsstyrken, <https://www.dst.dk/da/Statistik/nyt/NytHtml?cid=20990>

**Table 3 Legal Adjustments to UI Benefit Entitlements**

2006	2010	2011	2012	2017	The 2025 plan
Qualifying age for 'post-wage' entitlement raised to 62	Halving of Period of entitlement from 4 to 2 years	'Post-wage' entitlement Period cut from 5 to 3 years	Tax deductions for those in work raised, the real value of 'Daypay' UI benefits is reduced	Minor change considered, repeal holiday-daypay savings	Plans to double the contribution made by the UI system to the state. The government rationale is that digitalisation of the system has or will entail savings
Pension raised to 67	Minimum contribution period doubled from 6 months to 1 year	Deductions against pensions introduced	The value of 'Daypay' is regulated to increase at a lower rate than wages, at about a 10 % difference	'	'Senior jobs' shall no longer be covered by collective bargaining wages-levels, but set at highest 'daypay' rate
Average-age Retirement Principle introduced		Many lose effective entitlement because pensions are house-hold means-tested, 'post-wage' entitlements are not	At the same time, scope extending 'daypay' for another year is introduced		Plans to further extend the tax measures introduced in 2012

Sources: Danske A-Kasser and Danmarks Statistik

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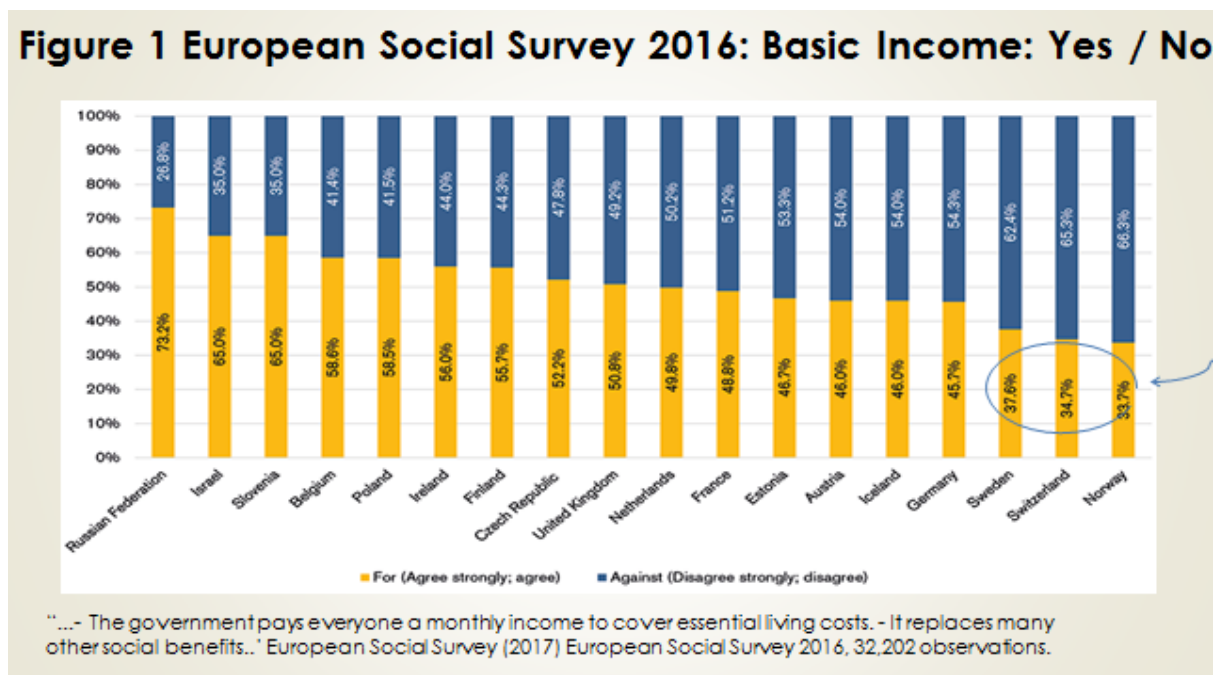
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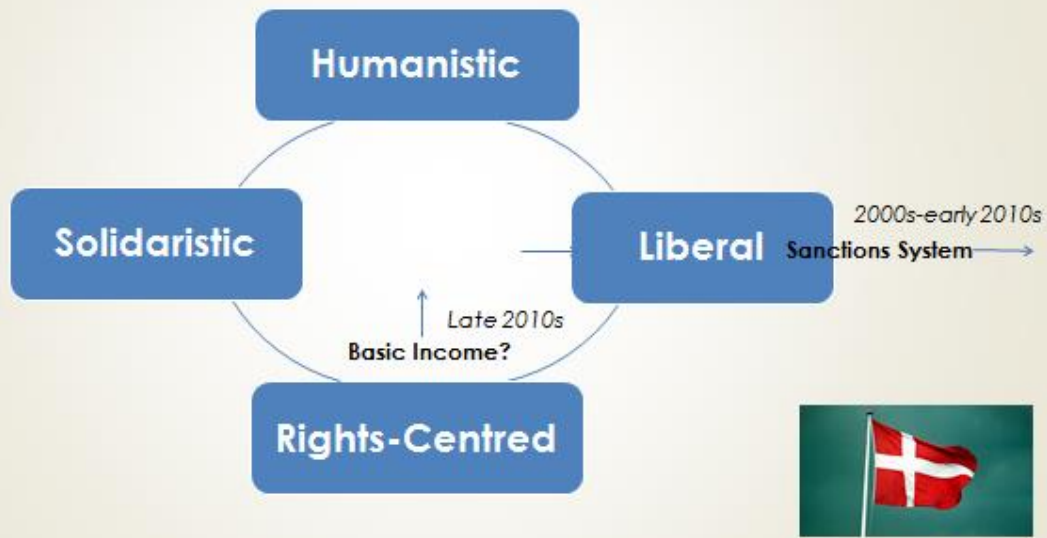
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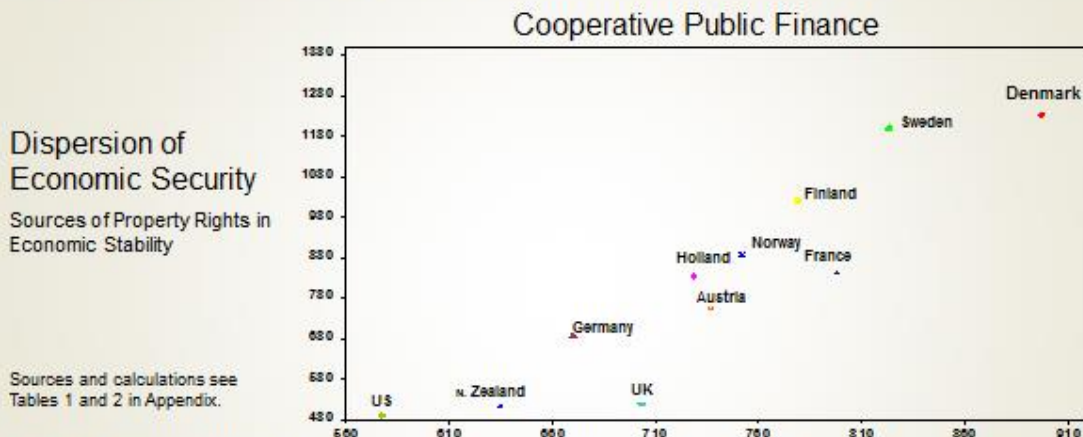
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**Figure 2 Evolutionary Sources of Danish Governance**



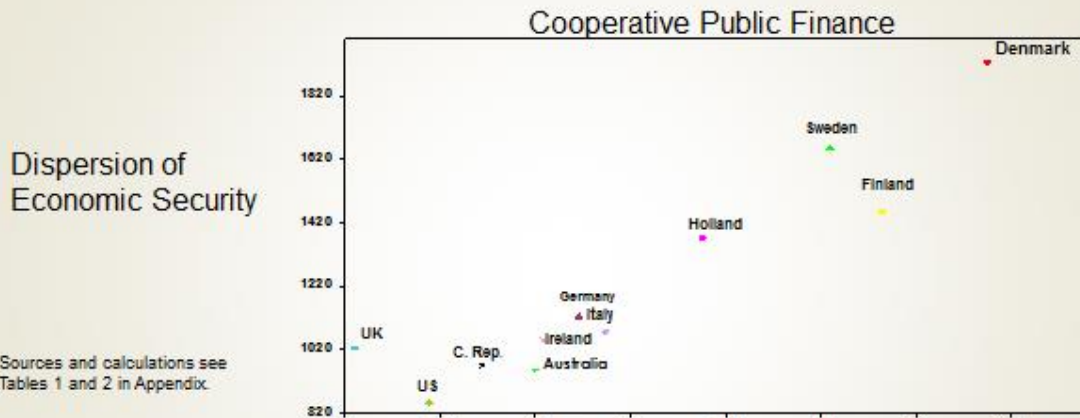
**Graph 1 a - DEVELOPMENTAL GOVERNANCE** late 2000s



**COOPERATIVE PUBLIC FINANCE:** Index of 1. **Public revenue score** (total tax revenue as % of GDP, and trend; top marginal tax rates and level at which set in; corporate income tax rate on distributed profits, and trend; net statutory tax rates on dividend income (shareholder level); overall personal income tax and corporate income tax rates on dividend income, statutory corporate income tax rate, and trend. Corporate tax revenue as % of GDP, and trend, and 2. **Public spending on human development** (Table A.2, columns 1 and 2), including, public expenditure And public social expenditure in GDP, public expenditure on education in GDP and in public expenditure.

**DISPERSION OF ECONOMIC STABILITY:** Index of 1. Public spending on training and employment policy. 2. Public spending on child-care. 3. school equality (school equality score, (table A.5); 4. employment returns score (table A.6), and 5. coverage rate (as average percentage of previous wage) of unemployment insurance, and 6. Poverty and inequality score (Table A.8). Haagh, 2011 and Haagh 2018a

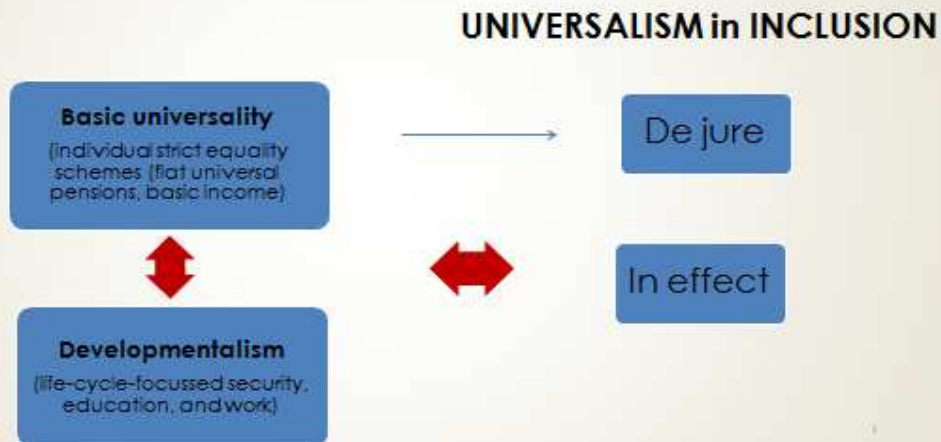
**Graph 1 b - DEVELOPMENTAL GOVERNANCE 2016**



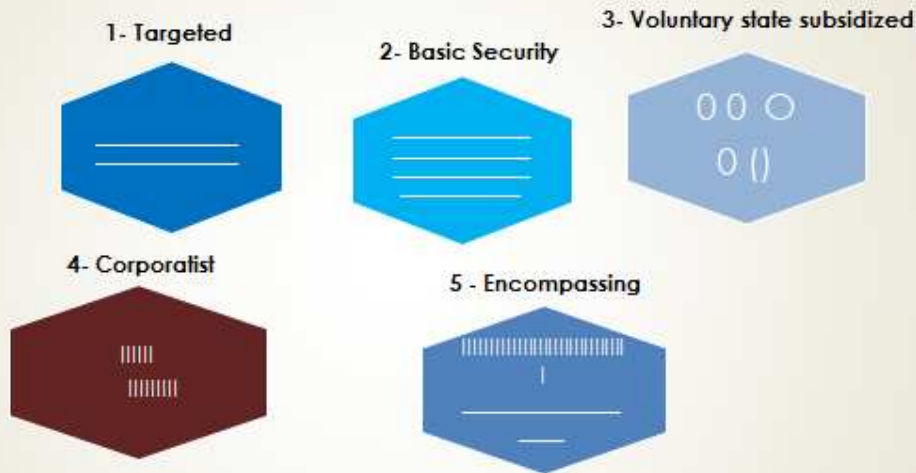
**COOPERATIVE PUBLIC FINANCE:** Index of 1. Public revenue score (total tax revenue as % of GDP, and trend; top marginal tax rates and level at which set in; corporate income tax rate on distributed profits, and trend; net statutory tax rates on dividend income (shareholder level); overall personal income tax and corporate income tax rates on dividend income, statutory corporate income tax rate, and trend. Corporate tax revenue as % of GDP, and trend, and 2. Public spending on human development (Table A.2, columns 1 and 2), including, public expenditure and public social expenditure in GDP, public expenditure on education in GDP and in public expenditure.

**DISPERSAL OF ECONOMIC SECURITY:** Index of 1. Public spending on training and employment policy, 2. Public spending on child-care, 3. school equality (school equality score, (table A.5); 4. employment returns score (table A.6), and 5. coverage rate (as average percentage of previous wage) of unemployment insurance, and 6. Poverty and inequality score (Table A.8). Haagh, 2011 and Haagh 2018a

**Figure 3**

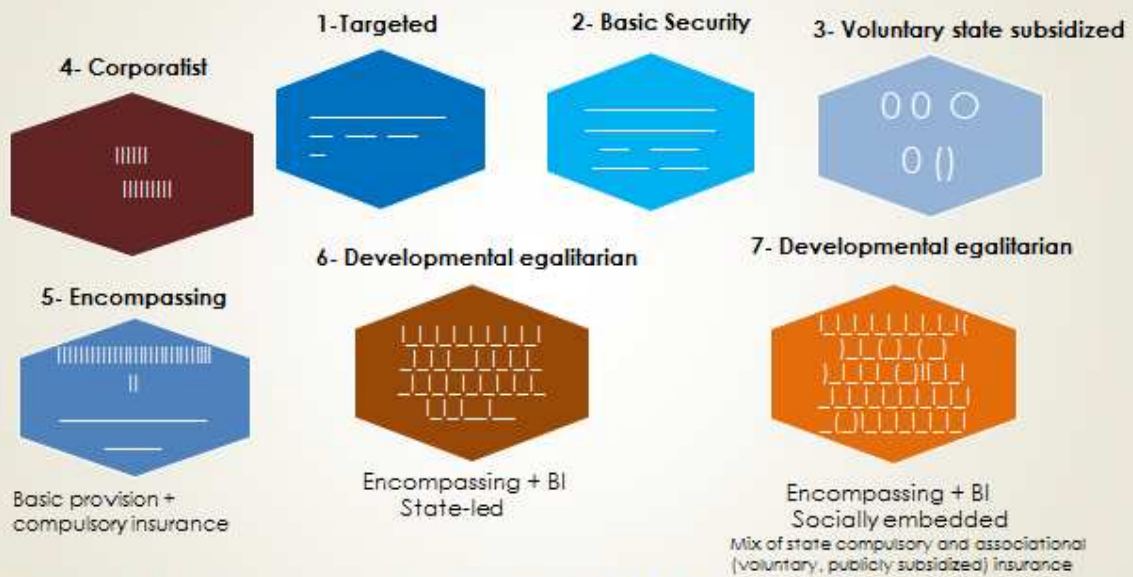


**Figure 4 a - Social security incorporation models**



Models 1 -5 based on Korpi and Palme, 1998 – The Paradox of Redistribution, American Sociological Review, 1998), p.667

**Figure 4 b - Social security incorporation models**



Models 1 -5 based on Korpi and Palme, 1998, The Paradox of Redistribution, American Sociological Review, 1998), 667

## Graph 2 a ACTIVATION SYSTEMS 2007

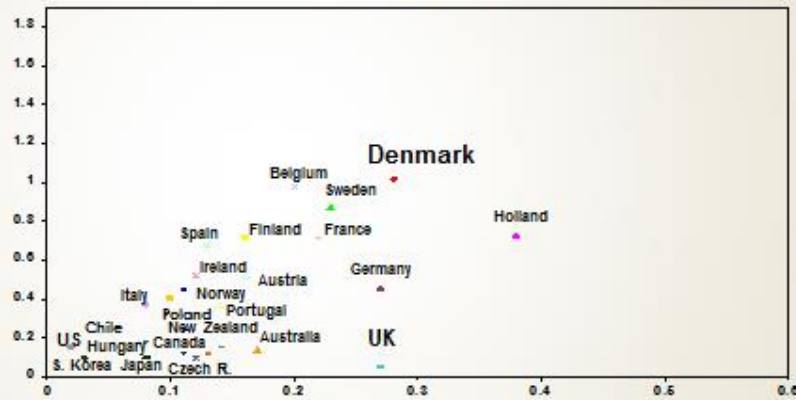
### BENEFIT ADMINISTRATION

Spending in GDP

### TRAINING and other active measures

Spending in GDP

Elaborated from OECD 2010



x. Percentage of GDP spent on public benefit administration and placement services, 2007.

y. Training, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives, spending in GDP 2007.

## Graph 2 b ACTIVATION SYSTEMS 2010

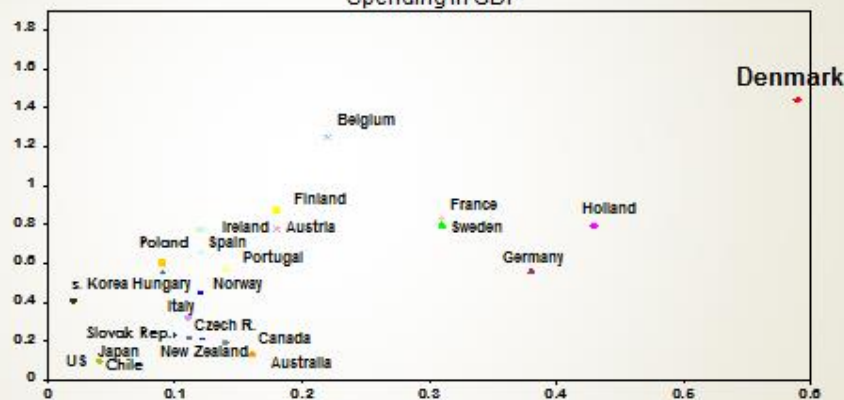
### BENEFIT ADMINISTRATION

Spending in GDP

### TRAINING and other active measures

Spending in GDP

Elaborated from OECD 2013



x. Percentage of GDP spent on public benefit administration and placement services, 2010.

y. Training, employment incentives, supported employment and rehabilitation, direct job creation, start-up incentives, spending in GDP 2010.



Index calculations and sources for Table A.1

Public revenue index score (column 17):

Globalisation 1 (G1):  $(2*(4)) + (5a/10) + (6a*(2)) - (6b*10) + (13a*2) + (14c) + (15d*2) + (16a/20)$ .  
 Globalisation 2 (G2):  $(4*(4)) + (5b/10) + (8a*(2)) - (8b*10) + (13c*2) + (14f) + (15f*2) + (16b/20)$ .

	OECD Tax Revenue Statistics, Comparative Table of OECD Countries (Total Tax Revenue as a percentage of GDP) (Accessed 2017) <a href="https://stats.oecd.org/Index.aspx?DataSetCode=REV">https://stats.oecd.org/Index.aspx?DataSetCode=REV</a>
	(1) The figures for Eastern European countries, which only became market-governed economies after the end of the Cold War in the late 1980s, are based on the 1991 figure for Hungary and Poland, and 1993 for the Czech Republic, and 1995 for the Slovak Republic. The earliest available figure for Mexico is 1980.
Columns 1-4	(2) For Poland, Japan, and Australia the 2015 figure is really 2014, because 2015 not available. For Mexico (16) I use the trend from 2010-2015, as previous figures are not available
	*Poland, Australia & Japan scores as 2014
Columns 6-8	OECD Table 1.7. Top Statutory Personal Income Tax Rate and Top Marginal Tax Rates for Employees, <a href="http://stats.oecd.org/Index.aspx?DataSetCode=TABLE_17">http://stats.oecd.org/Index.aspx?DataSetCode=TABLE_17</a>
	a) Personal Income Tax & Employee Social Security Contributions (All-In Rate), b) Threshold (expressed as a multiple of the average wage) (Accessed 2016).
	OECD Table 11.4. Overall Statutory Tax Rates on Dividend Income (CIT Rate on Distributed Profit, expressed as a percentage) (2016) <a href="https://stats.oecd.org/Index.aspx?DataSetCode=TABLE_114">https://stats.oecd.org/Index.aspx?DataSetCode=TABLE_114</a>
Column 11	OECD Table 11.4. Overall Statutory Tax Rates on Dividend Income (Net Personal Tax - the net top statutory rate to be paid at the shareholder level, taking account of all types of reliefs and gross-up provisions at the shareholder level - expressed as a percentage) (2016) <a href="https://stats.oecd.org/Index.aspx?DataSetCode=TABLE_114">https://stats.oecd.org/Index.aspx?DataSetCode=TABLE_114</a>
Column 12	OECD Table 11.4. Overall Statutory Tax Rates on Dividend Income (Overall PIT + CIT Rate, expressed as a percentage) (2016) <a href="https://stats.oecd.org/Index.aspx?DataSetCode=TABLE_114">https://stats.oecd.org/Index.aspx?DataSetCode=TABLE_114</a>
Column 13	OECD Table 11.1. Corporate Income Tax Rate (2016) <a href="https://stats.oecd.org/Index.aspx?DataSetCode=TABLE_111">https://stats.oecd.org/Index.aspx?DataSetCode=TABLE_111</a>
Column 14	OECD Tax Revenue Statistics, Comparative Table of OECD Countries (Tax Revenue as a percentage of GDP on the taxes on income, profits & capital gains of corporates) (2015) (Accessed 2017) <a href="https://stats.oecd.org/Index.aspx?DataSetCode=REV">https://stats.oecd.org/Index.aspx?DataSetCode=REV</a>
	(15) The figures for Eastern European countries, which only became market-governed economies after the end of the Cold War in the late 1980s, are based on the 1991 figure for Hungary and Poland, and 1993 for the Czech Republic, and 1995 for the Slovak Republic. The earliest available figure for Mexico is 2002 and is reproduced here. * Poland as 2014
Column 15	Figure for Mexico is 2002 and is reproduced here. * Poland as 2014
Column 16	* Trend adjusted to 1995 as data too sparse for earlier years

Table A.2

Table A.2: Public Spending on Human Development

	(1A) General Public Expenditure in GDP, Expenditure in % of GDP, (a) 1970, (b) 1980, (c) 1990, (d) 2000, (e) 2005, (f) 2009, (g) 2015*, (h) Trend in 2015, 2014*		(1B) Public Social Expenditure in GDP, Expenditure in % of GDP, (a) 1990, (b) 2007, (c) 2014, 1990 to 100		(2A) Public Expenditure on Education in % of GDP, (a) 1995, (b) 2007, (c) 2011, (d) Trend to 2011, 1995 to 100		(2B) Public Expenditure on Education in % of GDP, (a) 1995, (b) 2007, (c) 2011, (d) Trend to 2011, 1995 to 100		(3) Training, Job Creation, and Supported Employment - Public Spending in GDP, (i) 1995/6 (ii) 2006, 2005, (iii) 2011, (iv) a Trend to 2006, 1995/6 as 100, b Trend to 2013, 2006 as 100, (v) 2005 as 100, (S) Score - as 100, (v) Trend to 2013, 2006 as 100, (S) Score - (v*100)-(v/10)		(4) Public Spending on Child-Care as % of GDP, (i) 1998, (ii) 2005, (iii) 2011, (iv) a Trend to 2011, 1998 as 100, b Trend to 2011, 1998 as 100, (S) Score - as 100, (S) Score - (v*150)-(v/10)		Column 5																								
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(a)	(b)	(c)	(d)	(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)													
Den	42.9	53.6	57.052.7	51.2	58.655.7	106	25.0	26.1	30.1	1120283	306	7.3	7.88.7	119	12.2	15.4	15.2	125	97.4	1144.1	67	1.57	1.82	93	116	343	376	0.7	0.8	2.0	114	250	111	313	1043	1537	
Fin	31.9	40.6	48.648.1	49.3	56.157.7	120	23.8	24.9	31.0	130266	318	6.8	5.96.8	100	11.0	12.5	12.2	111	89.6	90.7	1.54	0.76	1.01	49	133	313	215	0.8	0.7	1.1	86	157	124	179	1086	1060	
Swe	n/a	n/a	n/a	53.652.7	46.350.4	94	28.5	20.8	28.1	1980291	277	7.1	6.7	6.8	96	10.7	12.7	13.2	123	92.7	92.2	1.10	1.32	1.35	63	102	426	280	0.7	0.6	1.6	86	267	109	253	1120	1247
Nov	39.1	47.9	44.542.0	42.1	47.548.6	116	21.9	25.2	22.0	100033	268	7.9	6.78.7	110	15.5	16.4	14.9	99.1	105.8	112.2	1.01	0.58	0.56	57	97	288	122	0.3	0.5	1.2	167	140	53	192	759	990	
Ger	39.1	47.9	44.544.8	46.2	47.543.9	98	21.4	25.2	22.5	121244	249	4.6	4.55.0	109	8.5	10.3	11.0	129	71.4	72.9	1.20	0.69	0.67	50	112	245	145	0.0	0.1	0.5	100	500	20	100	672	740	
Hol	41.7	55.3	54.841.8	42.3	51.445.1	108	25.6	20.1	24.7	965239	250	5.1	5.35.9	116	9.1	11.7	11.9	131	72.5	83.2	1.12	1.20	0.94	107	78	235	196	n/a	0.1	0.9	100	900	25	180	669	974	
Bel	n/a	n/a	n/a	49.151.4	54.254.0	110	24.9	26.1	30.1	123270	301	5.8	5.96.5	112	12.1	12.4	12.2	101	80.8	87.9	1.16	1.06	0.72	91	68	219	151	0.1	0.2	0.7	290	350	35	123	701	874	
Spa	n/a	n/a	n/a	34.1	34.83.733.7	99	12.8	18.5	19.4	152187	199	5.7	5.25.3	93	13.5	12.2	15.7	116	81.0	79.2	1.52	0.77	0.56	51	73	309	119	0.1	0.1	0.1	100	100	20	20	698	516	
Aus	n/a	n/a	n/a	50.3	51.52.336.4	72	23.4	26.4	28.4	121276	223	6.1	5.45.8	95	10.8	11.1	11.4	106	81.9	79.4	0.25	0.58	0.76	132	131	73	165	0.2	0.3	0.5	150	167	36	83	585	712	
Fre	39.3	46.6	50.751.1	52.9	56.957.0	112	24.9	28.4	31.9	128278	316	6.3	5.65.7	90	11.6	11.5	10.2	87.9	83.5	76.1	1.14	0.75	0.87	66	116	235	186	0.3	0.4	1.2	133	300	52	195	784	1044	
Spa	23.6	34.2	43.439.1	38.3	45.843.3	111	19.7	21.6	26.8	136221	251	4.6	4.34.8	104	10.3	11.1	10.5	102	66.6	68.8	0.62	0.16	0.61	26	381	127	160	0.0	0.4	0.6	400	150	20	98	521	745	
Por	n/a	n/a	n/a	42.6	46.748.348.3	113	12.4	22.5	25.2	220327	275	5.1	5.35.3	104	11.7	11.6	10.7	91.5	73.4	73.5	0.69	0.46	0.50	67	109	145	111	0.0	0.0	0.4	100	0	5	60	529	653	
Ita	33.5	41.7	54.445.5	47.1	51.950.0	110	21.4	24.9	28.6	134250	282	4.7	4.34.3	91	9.0	9.0	8.6	89.6	65.3	61.0	1.03	0.41	0.41	40	100	215	92	0.1	0.2	0.6	200	300	25	05	646	596	
Hun	n/a	n/a	n/a	47.2	49.650.550.7	107	12.9	23.6	22.1	1171242	275	5.2	5.24.7	98	12.9	10.4	9.4	72.9	73.0	64.8	0.22	0.19	0.78	73	411	49	197	0.1	0.1	0.6	100	600	20	20	485	641	
Cze	n/a	n/a	n/a	40.4	41.845.941.8	103	14.6	18.8	20.6	141215	233	4.8	4.24.5	94	8.7	9.9	10.4	120	67.4	66.1	0.09	0.18	0.30	600	167	78	77	0.1	0.1	0.4	100	400	20	80	468	602	
Pol	n/a	n/a	n/a	42.0	44.544.441.5	99	14.9	20.0	20.6	138222	231	5.2	4.94.9	94	11.9	11.6	11.4	95.8	73.4	69.9	0.21	0.36	0.44	90	122	31	100	0.2	n/a	0.5	175	250	39	83	478	547	
Slo	n/a	n/a	n/a	52.0	39.641.545.6	88	18.6	15.7	15.4	983264	238	4.6	3.66.8	148	14.1	10.5	4.1	129.1	69.0	80.9	0.25	0.15	0.22	147	147	65	59	0.1	0.1	0.4	100	400	20	80	507	619	
Gre	n/a	n/a	n/a	30.9	33.448.935.1	114	17.2	16.3	21.0	122182	206	5.0	4.96.2	124	12.2	13.5	13.1	107	73.8	86.7	1.41	0.51	0.88	36	173	286	190	0.1	0.3	0.5	300	167	30	83	676	738	
UK	42.1	45.7	42.237.8	42.8	51.643.2	114	16.3	20.5	21.7	133209	241	5.0	5.46.0	120	11.4	11.7	12.2	107	72.8	83.6	0.26	0.05	0.08	19	120	54	24	0.4	0.4	1.1	100	275	65	179	539	790	
US	32.4	33.8	36.533.7	36.5	42.338.1	113	13.1	16.2	21.6	165189	223	4.7	5.35.1	109	12.6	14.1	13.6	108	70.5	75.4	0.12	0.12	0.11	100	92	34	31	0.0	0.1	0.4	100	400	5	80	374	565	
Aus	n/a	n/a	n/a	36.2	34.735.336.4	101	13.1	16.0	19.0	145196	208	4.9	4.34.8	98	13.8	13.7	14.4	104	72.8	72.5	0.57	0.38	0.23	132	128	127	59	0.2	0.2	0.6	100	300	45	05	559	422	
NZ	n/a	n/a	n/a	37.6	37.741.940.0	106	21.2	18.4	20.8	138213	222	5.6	5.87.4	132	16.5	18.1	21.6	131	85.7	108.8	0.61	0.28	0.28	46	100	126	66	0.0	0.1	1.1	110	100	25	20	560	546	
Jap	20.0	30.8	32.138.8	36.4	37.142.0	108	11.1	18.6	23.1	1208209	246	3.6	3.43.8	106	9.5	9.4	9.1	95.8	55.6	57.2	0.10	0.05	0.16	50	320	25	64	0.2	0.2	0.4	100	200	35	70	415	564	
SK	n/a	n/a	n/a	24.7	29.530.532.4	121	2.8	7.5	10.4	497155	201	n/a	4.25.0	n/a	16.3	14.8	16.5	101	69.3	76.4	0.04	0.10	0.29	259	290	33	87	0.0	0.1	0.8	110	80	16	60	359	501	
Mex	n/a	n/a	n/a	19.5	3.524.5	126	3.2	7.2	7.9	247122	149	4.2	4.85.2	124	22.2	22.1	20.8	59.2	75.0	83.3	0.08	0.02	0.01	25	50	19	7	0.3	0.0	0.6	0	600	45	90	381	503	

Globalisation 1 covers the first phase of contemporary globalisation from mid 1970s till around 2000, whereas Globalisation 2 covers the period thereafter.

#### Index calculations and sources for Table A.2

13 score General public and social expenditure:

Globalisation 1 (G1):  $(Ad^*4)+(Ah/10)+(Bq^*2)+(Bd/10)$ ,

Globalisation 2 (G2):  $(Ag^*4)+(Ah/10)+(Bc^*2)+(Bd/10)$

Globalisation 1 covers the first phase of contemporary globalisation from mid 1970s till around 2000, whereas Globalisation 2 covers the period thereafter. Both include the same figure for long term trend in social expenditure since 1990-2014, and in general public expenditure from 2000-2015. The main difference in the two scores is therefore between the 2000 and 2015 figure for general public expenditure in GDP, and the 1990 and 2014 figure in public social expenditure in GDP. I used the 2000 data for general public expenditure because it is more complete. Had I used the 1990 figure for Graph 2 the trend evidenced in Table A.B.2 of growing divergence would have been even greater. Countries like Japan, France, Denmark and Japan see very large increases in public spending between 1970 and 1990. Anglo-liberal countries see less change over the whole period. Public social spending countries to grow but more so in countries with historically higher levels.

The scores are used to better visually represent and compare the slowly changing structure of public finance, and the relative position of countries in inter-temporal terms.

2S score Education expenditure in GDP and public expenditure: Globalisation 1  $(Aa^*10)+(Ad/20)+(Ba)+(Bd/20)$ , Globalisation 2  $(Ac^*10)+(Ad/20)+(Bc)+(Bd/20)$

On this score globalisation 1 is indicated by 1995, and globalisation 2 by 2011. Both scores include the same indicator for trend so the main difference is between the level of public expenditure in GDP, and the share of education in public expenditure in the two periods.

3S Score : Globalisation 1  $(i^*200) + (iii/10)$ , Globalisation 2  $(ii^*200)+(iii/10)$ . The i figure for the Slovak Rep., Poland, the Czech Rep. are from 2002, and Hungary 2004, the other countries from 1995/6

4S Score: Globalisation 1  $(i^*150)+(iv/20)$ , Globalisation 2  $(ii^*150)+(iv/20)$

OECD National Accounts at a Glance (G - Government), Total Expenditure of General Government (as % of GDP) (2015)

<https://stats.oecd.org/Index.aspx?DataSetCode=NAAG>

\*Switzerland, Austria, USA, Australia, New Zealand and Japan as 2014, Mexico as 2013

OECD Social Expenditure Aggregated Data (public, as a % of GDP) (2014) [http://stats.oecd.org/Index.aspx?datasetcode=SOEX\\_AGG](http://stats.oecd.org/Index.aspx?datasetcode=SOEX_AGG)

\*New Zealand as 2013, Mexico as 2012, Japan as 2011

Education at a Glance 2011

OECD Education at a glance 2014 (p.257)

OECD Employment Outlook 2010. \*There was no figure for 2008/9 for Mexico, so the 2006 figure was re-entered

OECD Employment Outlook 2015, Table G. \*Public Expenditure and Participant Stocks in Labour Market Programmes in OECD Countries, 2012 and 2013

<http://www.oecd.org/els/emp/employment-outlook-statistical-annex.htm>

\*France, Spain, New Zealand, South Korea & Poland data for 2013 unavailable so 2012 data used. UK Data unavailable so 2008/2009 data left in.

OECD Family Database, PF3.1 Public Spending on Childcare and Early Education (2014) <http://www.oecd.org/els/family/database.htm>

\*Data for Switzerland unavailable, so 2005 data left in.