

SOCIAL POLICIES AS TOOLS TO PROMOTE SECURITY

ARTICLE BY

HEIKKI HILAMO
& **OLLI KANGAS**

One of the most important roles of social institutions is to promote stability and predictability in society. In the Nordic countries, the welfare state has helped to mediate between conflicting interests, contributed to the stability of society, and enhanced trust and social cohesion more cheaply and effectively than policing and strong armed forces.

The 30 years following the Great Depression and World War II were an era of rapid economic growth and prosperity among Western countries. Since then, the growth that has occurred has benefited mostly those at the top. Growing inequalities have shaken the foundations of developed societies, threatening stability and creating great uncertainty about the future direction of the security situation in Europe and in the world.

Since Brexit and Trump's election in 2016, the leading political commentators in the West have unanimously pointed to globalisation as the culprit. Economic globalisation, boosted by the digital revolution, has lifted hundreds of millions of people out of absolute poverty, for example in China and India, whilst the middle classes in the developed countries are losing ground. They have witnessed wage stagnation and rising inequality in incomes and wealth. The digital economy is hollowing out not only blue-collar but also white-collar jobs, creating widespread insecurity and pessimism with regards to the future.

The political solution taken up by Great Britain and the United States is to retreat from global cooperation and concentrate on internal problems. Re-emerging provincialism is jeopardising global efforts to respond to the challenges we face, from climate change to weapons

of mass destruction. In Europe, the tendency to prioritise local and national concerns over European-level issues is undermining the very idea of European unity. Is there a solution that can provide a positive outlook for the future?

INCLUSIVE INSTITUTIONS AND SOCIAL TRUST

Two influential economists, Daren Acemoğlu and James Robinson, argue in their book *Why Nations Fail* (2012) that the success or failure of any society is determined by the type of institutions it has developed. Extractive institutions, in which a limited group of individuals do their best to exploit the rest of the population and natural resources, sooner or later lead to destruction, while inclusive institutions, in which all members of the population participate in the process of governing, guarantee long-term success.

In terms of security, inclusive institutions go beyond national and territorial security to ensure human security. The crucial question in the current situation, then, is how to build inclusive institutions in a globalised world. The Nordic countries, with their small and open economies, are especially vulnerable to external negative shocks. Due to their limited capacities to control globalisation they have created unique institutions to protect their citizens in the wake of economic and social crises. These institutions contribute to building safety and trust.

Social trust is essential for the development of inclusive institutions. This is because when people trust each other, they can work together and cooperate for common purposes, which enhances economic growth. The idea of the importance of social trust for social and economic development has deep roots in economic thought. Trust, as argued by Francis Fukuyama and Robert Putnam, makes the emergence of a commercial free market society possible. The central argument is that the success of societies depends on the bonds of trust which help societies flourish.

In this context, trust and feelings of personal safety are of special interest. In high-trust countries, people trust in one another and in their national institutions. This is a virtuous circle: just institutions generate trust and trust generates just institutions.

Social trust also relates to taxation. People are willing to pay high taxes when they are confident that the state is using this money for necessary purposes and that the exchequer is trustworthy. As a form of social capital, trust enables societies to better and more effectively accumulate resources and accomplish various tasks, whether that be providing meals for school children or preserving the wilderness.

The key ingredient in the creation of inclusive institutions in the Nordic countries is trust.

What distinguishes the Nordic region from many other countries is that the state has come to be strong and powerful enough to resist becoming harnessed as merely a vehicle of certain interests. Thus, the state has been able to make plans and decisions centred around the collective or national good, instead of only the interests of certain groups. Very early on, the Nordic countries also established a functioning local-level democracy that was combined with, and coordinated by, the central government. The rule of law was binding for everybody, even at the highest levels of the political structure.

In the early 1900s, the Nordic countries were poor by European standards. Gradually, by simultaneously strengthening public institutions and promoting free enterprise, the Nordic group began to improve its economic performance, and today the countries are amongst the richest in the world.

UNIVERSALISM

In theory, everybody in a fair society both contributes to and benefits from the system. There is no wedge between the well-off contributors and the poorer beneficiaries; there is no room for a 'welfare backlash'. The public institutions cater for even the poorest individuals in society. Universalism is also an expression of human rights, and aims to break the cycle of intergenerational transmission of social advantage and

disadvantage, on the grounds that nobody's life chances should be dependent upon their parents' social standing.

The basic idea of the Nordic model is to pursue universal welfare state policies, which means that public programmes, services, and transfers are designed to serve everyone living in the country. In many other countries, especially in Central Europe, similar schemes have been based on membership of a certain occupational group or category of people, leading as a result to strong intra-group interests and strong animosity between groups.

Universalism is maintaining the virtuous circle. Strong public institutions enforce social trust, which promotes democratic participation, the rule of law, and public support for the development of these same public institutions.

There is also a technical advantage to universalism: the administrative cost-efficiency of universal programmes. The strength of universal systems, be they flat-rate or means-tested, is that they reduce 'transaction costs' on the labour market. Individuals, firms, and unions do not have to spend time negotiating the provision of basic insurance and services like healthcare. Furthermore, they promote mobility and flexibility on the labour market because the universal character of the system means that workers do not lose their earned rights when they move from one job to another.

One aspect that is greatly neglected in the public debate is the fact that it is, in principle, easier to control the incentive structure and increases in spending in universal homogenous systems than it is in fragmented systems. The expansion of health costs is a telling example of this: since the 1970s, healthcare expenditure have skyrocketed in decentralised or insurance-based schemes such as in the United States, whereas the cost increase in state-provided health systems has been more modest.

SOCIAL INVESTMENTS

Inequality per se is not necessarily unjust or unfair and a cause of social unrest. Much depends on the mechanisms that produce inequalities. Some people work harder, educate themselves, make better use of their resources etc. It is justifiable that some people earn more than others. If hard-working individuals cannot get ahead, they lose faith and begin to rebel. On the other hand, many people feel that their employment and livelihood are endangered due to global market forces that are impossible for nation states to harness and regulate. This is an ongoing debate in several countries around Europe. The nation state, and to an even greater degree the European Union, has lost a part of its credibility in the eyes of those who see their children's and their own life opportunities deteriorating. This is the breeding ground for populist movements. Disillusionment in the European project, fuelled by these movements, is hindering the European Union from operating in the global arena to find problems to global security threats.

The Nordic counter strategy against this type of defeatism is investment in human capital and risk-prevention measures. Behind this social investment strategy is the notion that the road to a stable society is not merely about expenditures and compensation for risks, but more importantly, about enhancing human capital. Where, when, and to whom you are born evidently determines your life chances. This implies a loss of human capital among those unfortunate enough to be born with a less socially privileged background, in dire economic times, in

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areas of social or economic disarray, or, as is often the case, in a combination of the three. Education, and social and health services aim to give individuals the opportunity to live a decent life independently of their socio-economic background and capacity to pay.

The Nordic social investment strategy recognises the inputs or social investment policies and the outputs – or the returns – of social investments. For example, future mothers' sufficient nutrition during pregnancy is a precondition for a healthy society. Universal prenatal healthcare and training in parenting skills to ensure a healthy start for infants are steps towards a good and just society. In early childhood, childcare and pre-school education make up an important part of the social investment, as the child's future success in education and in the labour markets rests on good cognitive and non-cognitive skills that have developed in these formative years.

As for other investments, the rate of return tends to be larger the longer-term they are. For example, childcare may give superior returns than the rehabilitation of older workers. In the early years, returns are mainly cognitive and social in nature and the size of the return increases over the years.

The Nordic vision of education is that girls and boys from less privileged backgrounds should receive an education on par with chil-

dren from more privileged backgrounds. The education system is crucial for determining to what degree children inherit the situation of their parents. Thus, there are strong levelling ideas behind education systems. The notion of universal access to education was a prominent philosophy in the mass-education systems in the Nordic countries.

Grass-roots level educational systems were harnessed to accomplish the task, and – as in the case of the people's insurance – the very name of the educational system, *folkskolan kansakoulu* (people's school), indicates the overarching idea that the whole population should have equal access to education. There are no tuition fees at any educational level including universities. All students receive allowances for living expenses and housing. The Nordic educational system is geared towards promoting equal opportunity. This allows the full mobilisation of the nations' human resources, to boost innovation and economic development.

THE NORDIC RECIPE

The Nordic countries can serve as an example of how combining gender equality with high levels of labour force participation and fertility can promote human security and social stability, and how social investments in children promote human capital accumulation and boost intergenerational mobility.

It is necessary to emphasise that the high placement of the Nordic countries on various “best country” rankings, such as the United Nations’ Human Development Index, certainly does not mean that all problems have been solved. Rather, it is an indication that they have the same problems as other countries but on a smaller scale in some areas. For example, populist right-wing movements, which are hostile towards migrants, are also gaining ground in the Nordic countries. However, the Nordic countries continue, by varying degrees, to rely on universal policies to ensure social cohesion.

The core message from the experience of the Nordic countries is that inclusive institutions are self-reinforcing. While democratisation can create pressure for more developed and more inclusive public institutions, public institutions can also contribute to democratisation. Universal social policies are an effective tool for establishing a sense of ‘usness’ and creating social cohesion among the populace. A universal social policy, to which everybody contributes, and from which everybody can expect benefits when in need, creates strong social bonds, bridging various social gaps and cleavages. Universalism is important not only for social security and basic rights, it is also a trademark of a fair society that guarantees equal possibilities to every person regardless of their individual background.

Universal and free basic education should be open to everybody regardless of gender, social background, race, or ethnicity. Social and health benefits should cover everyone. High quality childcare and school services provide equal possibilities for all children. All human beings are born free. This principle sets standards for the educational systems from early childhood schooling up to the educational possibilities for adults and elderly people. Social and educational institutions have to remedy unjust disparities and to provide people with the capacity to take full responsibility for their own lives. If they are successful they will create social trust and stability, which will in turn enhance a sense of security overall.



HEIKKI HIILAMO

(PhD) is Kjell Nordstokke Professor at VID Specialized University in Oslo and Professor of Social Policy at Helsinki University.



OLLI KANGAS

(PhD) is Professor and Director of Governmental Relations at Social Insurance Institution of Finland.