Different countries on a similar path: Comparing pension politics in Scandinavia and Australia

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Abstract

Scandinavia and Australia share an early emphasis on tax-financed minimum pension schemes rather than Bismarckian style contribution-based earnings related schemes. I argue that Scandinavia and Australia also share a similar sequence of later pension-political developments, despite differences in the timing of various initiatives, as well as in the institutional designs of these initiatives. First, means-testing was softened and ultimately abolished in the minimum protection systems of both Scandinavia and Australia. Second, compulsory earnings-related pensions were introduced. The introduction of compulsory earnings-related pension schemes coincides with a period of increased income-testing in the minimum schemes, resulting in the emergence of a dual pension structure in both Scandinavia and Australia. The impact of federalism, party structure and the use of regulatory policies (e.g., compulsory arbitration) as an alternative to tax-and-spend policies in bringing about the observed convergence towards dual systems are discussed.
1. **Introduction**

In the welfare state literature, Scandinavia and Australia are often portrayed as polar opposite cases. Australia is usually seen as a "residualist" state heavily reliant on means-tested benefits only, while the Scandinavian states are said to have moved towards "institutional" (all-encompassing) welfare schemes, in which the whole population—including the middle and upper strata in society—are served by public schemes (Esping-Andersen 1990).

The purpose of this paper is to trace welfare-political developments in Australia and Scandinavia from the early beginnings to the present, by limiting the focus to a study of old-age pension systems. By limiting the focus to a specific and well-defined aspect of welfare legislation, it is possible to get a close view on actual policy-making in this area; placing us in a more informed position to evaluate similarities and differences in Australian and Scandinavian developments across time. Contrary to Esping-Andersen, I shall argue that there are important similarities in the sequence of Scandinavian and Australian policy developments. Differences occur mainly in the timing of various initiatives. I shall further argue that to the extent differences may nonetheless be identified, the dividing lines run as much in between the Scandinavian countries themselves as between Scandinavia and Australia.

2. **The starting points**

In late medieval Europe, no specific policy measures focused directly on alleviating the poverty of old people. To the extent that the extended family, the village community, the guild or various charitable institutions (including the Church) did not step in and provide at least some modicum of relief, the old poor were treated alongside other impoverished groups through the general Poor Law-legislation. The first singling out of the old for separate administrative treatment was conducted by chancellor Bismarck in 1889 (Alber 1987). He introduced a contributions-based income-maintenance system targeted at urban industrial workers in particular.

Denmark was the second country in the world to single out old people for separate relief outside the Poor Laws. Denmark, however, chose a distinctly different institutional set-up from Germany. Instead of focusing attention on the industrial working class, Denmark introduced a tax-financed, means-tested minimum protection system in 1891 to which all occupational groups could in principle apply. The Danish approach was soon followed by New Zealand, which introduced a tax-financed minimum protection system in 1898. This initiative was also copied by some of the Australian states: New South Wales (1901), Victoria (1901) and Queensland (1907). Thus Denmark, New Zealand, New South Wales and Victoria were the early initiators of what may be labelled the "assistance approach" to old age pensions, which may be contrasted to the Bismarkian "insurance" approach. The Danish approach also became law in Iceland, which was ruled by Denmark until 1946. The assistance approach was later adopted (with some modifications) by the other Nordic countries: Sweden 1913, Norway 1936 and Finland 1937 (Vester-Jensen 1985:41, Rasmussen 1985:20, Hatland 1987:54, Kangas 1988:16). Schemes similar to those of New Zealand were also introduced in Great Britain and Ireland (1908), and in Canada (1927) (Gordon 1988:43; Olsen 1991).

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1 Thanks to Frank Castles, Graeme Davison, Raja Jhunjhunwala and Rolf Gerritsen for valuable comments to earlier drafts. They shall not be blamed, however, for whatever ambiguities that may remain.
2 Although elderly beneficiaries may to some extent have been more leniently treated within this legislation.

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3 Financed through tripartite financing: The state, the employers and employees shared the bill.
4 According to Kewley 1973:43, New South Wales was first to introduce an old-age pension scheme in November 1900 (see also Castles 1988:103; Wheelwright 1989:30; Carney and Hanks 1994:30). However, Jones (1990:21) claims that Victoria came first in January 1901, followed by New South Wales in August 1901 (cf. Davison 1995:3). Evidently, these initiatives were parallel and reflect the similar social conditions prevailing in the urbanized southeast part of Australia at the time.
3. The origins of the Danish legislation and of the other Scandinavian countries

The recession of the 1880s and 1890s strained the locally administered Danish Poor Relief scheme to the limit, while undermining the local tax base. This led radical elements within the Liberal party, as well as the (emerging) Social Democratic party, to demand government initiatives. At the same time, the local councils lobbied for a national solution to the poverty question, not least in order to shift some of their poor relief expenditures on to the state (Petersen 1990:84). In this situation, the Conservative party (which controlled the government), and moderate elements among the Liberals, devised and implemented an old-age pension scheme (Petersen 1990:79-81). Expenditures were shared between the state and the local councils.

A contributory solution was ruled out for several reasons. First, Denmark unlike its larger southern neighbour (Germany) was overwhelmingly an agrarian society at the end of the 19th century. Thus the regime faced few pension demands from industrial workers in particular. However, there were a substantial number of impoverished agrarian workers. This made it difficult to calculate contributions, as agrarian workers often received their income both in cash and kind. Besides, the administrative apparatus prevailing in the countryside was too rudimentary to collect individual contributions. Also, employers (mainly farmers) were unwilling to pay contributions on behalf of their labourers. Most importantly, a contributory scheme would not provide any relief for old people already living in poverty, and it would not relieve the local councils of their financial burdens (Petersen 1990:84). Lastly, it should be remembered that the Dano-Prussian war of 1864 (in which Denmark had to transfer Slesvig-Holstein and Lauenburg to Prussia) was still reasonably fresh in the memory of the Danish ruling elite. That war had been initiated by Bismarck, and Danish elites were not particularly enthusiastic to endorse any reform -social or otherwise- associated with his name. A comment by the influential politician (and later Prime Minister) Niels Neergaard amply demonstrates the negative attitude towards Germany adopted by influential Danish elites at the time:

"A vast number of new bureaucrats would be needed if we were to introduce this heavily working machinery with individualised accounts for every ordinary citizen in the country, based on control, compulsion, distress warrants, earning categories etc. etc. Only the brains of German professors and bureaucrats could develop a system like this" (quoted in Petersen 1990:86).

While Denmark opted for a wholly tax-financed minimum protection approach, Sweden provided some concessions to adherents of (German-style) contribution-financing. The Swedish 1913 scheme consisted of a flat-rate pension financed through an earmarked tax, and thus payable only to former taxpayers/contributors. However, it was supplemented by a means-tested supplement financed out of general revenues. This was to be the most dominant element in the first Swedish minimum scheme, as Sweden began providing benefits immediately (not waiting for the contributory scheme to mature). As Finland opted for a minimum protection system in 1937, it also chose a contribution-based approach, supplemented by means-tested, tax-financed supplements. Norway also introduced an earmarked tax to finance the means-tested minimum benefit as the first scheme was set up in 1936, but in the Norwegian case eligibility was not dependent on having paid any previous taxes, implying that the Norwegian approach was for practical purposes identical to the Danish solution. Thus the early Scandinavian emphasis on tax-financing versus contribution-financing represents a (limited) continuum. Sweden and Finland emphasized financing through contributions as well as through general revenues, while Norway and (to an even larger extent) Denmark/Iceland relied exclusively on tax financing (cf. Palme 1990:46).

Norway and Finland lagged behind the other Scandinavian countries, since they did not introduce national old-age pension schemes until the late 1930s. In Norway, the Social Democrats acquired governmental status for the first time in 1935 by forging a coalition with the smaller Agrarian party. The Social Democratic/Agrarian coalition government then introduced means-tested minimum pensions in 1936. The Act

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5 Somewhat ironically, it should be noticed that Chancellor Bismarck originally preferred a tax-financed, flat-rate minimum pension scheme providing for the industrial working class. The resulting tripartite contribution-based scheme, focusing on earnings-related pensions, was a compromise between Bismarck and proponents of fully contribution-based insurance schemes (Baldwin 1990:60, Petersen 1990:71-72).
ended a long period of parliamentary stalemate between adherents of tax-financed versus contributory schemes. In Finland, all welfare initiatives had been postponed during the intense 1918 civil war, following Finland’s secession from the Soviet Union in 1917. German troops helped secure the victory of the secessionists (Mead 1968:150). Welfare policies were slow to mature in the political climate prevailing after the defeat (and partial extermination) of the Finnish communists. When public pensions finally arrived in 1937, it was to an even larger extent than the Swedish 1913 scheme influenced by the German idea of contribution-financing, although the scheme (as the schemes of all the other Scandinavian countries) went for flat-rate rather than earnings-related benefits.

4. The initiation of old age pensions in Australia

Unlike the Scandinavian countries, the Australian state is not a centralized unitary hierarchy, but a federation based on regional power at the state level with a prescribed set of powers transferred to the Commonwealth (Federal) level (Davis et al. 1993:23). The Commonwealth of Australia Constitution Act of 1900 distributed powers between the Federal government and the States in a manner ostensibly modelled on the US Constitution. The new federation was intended to keep the central state lean, while retaining considerable scope for the States to pursue separate policies within their own territories (Davis et al. op. cit:30).

However, the power of the Federal government to legislate for invalidity and old-age pensions was a concurrent power, implying that in such cases any initiative on behalf of the Federal government to pursue legislative initiatives did not formally challenge the authority of the States (Kewley 1973:64)7.

The decision to provide the Federal government with power to legislate on pensions was contested, partly because some delegates felt such legislation could best be dealt with at the State level, and partly because some feared that it could delay legislation, as the States might then be tempted to postpone their own initiatives in anticipation of Federal initiatives. Supporters of granting this power to the Federal government argued that pension schemes confined to State boundaries could not provide efficiently for the large number of people who were migratory in their habits, and they won the day (Kewley 1973:66,82). It turned out, however, that the fear of those who believed that Federal authority would delay legislation was unsubstantiated: A Federal pension scheme was not to be introduced until 1908/1909.

Why was Federal legislation delayed? The major problem was how to provide sufficient funding for the scheme. A persistent question in Australian history since federation has been how to divide tax revenues between State and Federal authorities. The decision-making power in Australia to this day may involve negotiations between Federal and State elites, due to the federative nature of the Australian nation. The Senate (Upper House) is composed of representatives of the six Australian States, plus the Northern Territory and the Australian National Territory, and the Senate may block or delay legislative initiatives made by the House of Representatives (Jaensch 1990:233,256,294; Gruen and Grattan 1993:227-232).

A Federal (Commonwealth) pension system would imply increased revenues collected at the Federal level. The reluctance of the States to direct more tax revenues to the Federal level delayed the implementation of a Federal scheme. Although the Federal government was in principle granted a general power of taxation, the attitude of many members of parliament was that direct taxation should be left to the States, leaving the Federal government only with income derived from customs and excise (Smith 1993:41; Kewley 1973:67,82). This attitude also served as an additional argument against choosing a Federal contribution-based pension scheme (i.e. a scheme funded on contributions/earmarked taxes), since this would imply that the Federal level could levy a direct tax on the citizens. In this context, it should be

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6 In Finland, the "whites" defeated the "reds". Finnish parliamentarians then got Lenin’s signature acknowledging Finnish independence, while simultaneously promising Finnish non-involvement in the ongoing Russian civil war (cf. Mead 1968:149-154). The Communist party was outlawed, and was not restored as a legal party until 1945.

7 As pointed out by Kewley (ibid.), the inclusion of this power in the Constitution Act is indicative of the comparatively late period at which the Australian constitution was drafted. When the American constitution was adopted in 1787, invalid and old-age pensions were unheard of. Neither did the Canadian constitution of 1867 contain any reference to them.

8 Not until 1910 was the Commonwealth to impose a direct tax in the form of a land
kept in mind that one of the arguments against a contribution-based pension system, voiced already in the New South Wales debate, was that such a system would create a fund so vast it would "constitute a public danger in the hands of any authority" (Neidl referred in Kewley 1973:48; cf. also Zakharov 1988:109). A fear that contributory old-age pension systems might skew the balance of financial power too much in the direction of (central) public authorities was to be picked up later also in the Scandinavian debate.

Old-age pensions were eventually introduced at the Federal level through the old-age pension and invalidity Act of 1908, following in the footsteps of a "Surplus Revenue Act", stipulating that when a Federal trust account was created and money appropriated for it, that money should be regarded as "expended" so as not to be part of a surplus revenue distributable to the States. Up to the introduction of this Act, the Federal government was under various pressures to channel "unexpected" surplus revenue to the States (Smith 1993: 40-43; Kewley 1973, 66-68). The introduction of old-age pensions was explicitly linked to the passing of the Surplus Revenue Act.9

The passing of the Surplus Revenue Act represented a triumph for those, particularly the radical Protectionists and Labor, who had for long been anxious to keep all the Federal revenue they could for Federal purposes. However, the States did not meekly accept this new legislation: The Surplus Revenue Act and the Acts relating to the trust accounts arising out of that Act were unsuccessfully contested in the High Court by New South Wales (Kewley 1973:73). The important point to notice here is that the introduction of Federal old-age pensions was explicitly linked to the political game between Federal and State governments as to their relative share of available tax revenues; it was "contextualized" in the framework of an ongoing power struggle between central (Federal) and local (State) elites (cf. Smith 1993:43). This initial framing of the pension-political game (situational context) was to have an impact also on later decision making in this area.10

The reasons behind the introduction of the Federal scheme were similar to the reasons which had prompted New South Wales, Victoria and Queensland to introduce pension schemes on their own initiative some years earlier. The State legislators had been looking for an "outdoor relief" measure which could serve as an alternative to institutionalized care (the dominant Australian form of care in the 19th century). Due to the weak structure of local administrative units (local government councils), poor relief was difficult to administer. The Australian States had no equivalent to the English Poor Law (Kewley 1973:7,8; Davison 1995:8). In the absence of regular Poor Relief, it fell on voluntary organizations to provide relief for the growing number of poor old people. The recession of the 1890s, with mass unemployment, highlighted the insufficiencies in the voluntary approach in times of crisis (Sax 1990:23; Jones 1990:26-27). At the turn of the century Australia was a highly urbanized country as compared with Europe (Logan et.a. 1981:18-19; Castles 1988: 113-14). This implied that few of the elderly poor could rely on the extended family, or village community, in securing them a livelihood in old age. In this context, it is worth emphasizing that Australia - being a settler society - had never had much "extended family" experience in the first place, since migration had in effect severed the tie between generations (Davison 1995:1,10). Further, the 1890s and 1900s experienced a very rapid growth in the percentage of elderly, reflecting also the masculinity of the settler population. In 1891 there were 143 males per 100 females over the age of 65, as compared to only 73 males per 100 females in 1986 (Davison 1995:4-5). Aged men were perhaps less often boarded in by kinsfolk than aged women, since they were probably less able (or willing) to offer unpaid work with household tasks and child-minding (Davison 1995:11). If so, the male bias of the early elderly population further served to reduce kin-based protection.

9 According to Kewley (1973:72), The Labor party - controlling the crossover vote in the House of Representatives - resolved that old-age pensions should be the first charge upon any money appropriated by the Federation as a result of passing this measure. The Protectionist party Government had recently been severely criticized about the administration of the Postmaster-general's Department, and was in a "more than usually receptive mood" towards any suggestion that the Labor Party had to make. However, Smith (1993:53) presents the Surplus Revenue Act as an independent initiative by Prime Minister Deakin.

10 The Australian federal old-age pension system was a true-born child of initial power struggles between older States and the newly established federal government. By contrast, in Denmark the initial old-age pension scheme was to a large extent the result of regional pressure to shift some of the costs of the existing system of Poor relief on to the central state. Thus the central-periphery conflict was cast in exactly opposite terms in Denmark and Australia.
Adult male suffrage had been introduced in Australia as early as in 1858, implying that a demand for support during old age could "feed into" the political process at an early stage, not least thanks to the early introduction of a Labor party (Castles 1985:18). Full adult suffrage (for Caucasians) had been introduced in all the States, as well as at the Federal level, in 1909 (Jaensch 1990:39). Labor supported old-age pensions not least because it was perceived as a way to minimize wage competition (Butlin 1982, quoted in Cass 1988:5; Jones 1990:25).

Why did the Australian States choose the New Zealand approach rather than the German system of contributory pensions? Not for lack of knowledge. The early legislators were fully aware of the different European solutions to the pension question, including the Danish old age relief of 1891. They had an impressive knowledge of the various institutional types of old-age relief then in place in various European and Anglo-American nations (Kewley 1973:28-63).

A contributory system (similar to the German approach) was ruled out for several reasons. First and foremost, keeping track of contributions would have strained the rudimentary administrative apparatus of the new States to the limit. Keeping track of contributors was further impeded by the migratory character of much of the workforce, implying that workers often changed employers and moved between States (Kewley 1973:33; Jones 1990:35). Also, the workers were hostile to the idea that some of their earnings should be compulsorily withheld from them. As far as subsidized voluntary insurance was concerned, it was argued that only the more skilled of the workers would be able, or willing, to contribute to such schemes, leaving the great mass of workers unprovided for. Besides, the friendly societies were reluctant to cooperate in a subsidized voluntary scheme, fearing that this would result in government supervision and thus reduce their independence (Kewley ibid.).

The New South Wales and Victorian schemes went further in reducing the discretionary character of the benefit than did the Danish 1891 scheme. The Danish scheme did not provide any specific rate of pension: the law simply stipulated that the relief should be "sufficient for the support of the person relieved and for his family". Moreover, the relief could be given either in cash or kind (fuel, food, or rent) (Kewley 1973:49). By contrast, the New South Wales scheme provided a benefit which was payable at a uniform rate under clearly defined conditions. Given that a person was eligible, it was within the competence of an applicant, knowing his means, to calculate the rate of pension to which he was entitled. Thus as far as measurement criteria were concerned, the Australian and New Zealand schemes were the first tax-financed pension schemes granting benefits as statutory rights, without any element of discretion (Kewley op.cit. 49, 60 ff.)

11 The Labour party held the balance of power in the New South Wales parliament after 1891 (Kewley 1973:6-7).
12 The male bias of the elderly population increased the depressive effect of the elderly on wage levels, as elderly men were more likely to maintain a presence in the labour market than elderly women.
13 The weak administrative apparatus was also demonstrated by the fact that benefits were paid out from the Bank of New South Wales, which undertook the payment of pensions for a commission of 2 per cent. In districts where the Bank did not have branch offices, payment were made by money orders through the post offices. Notice that, after 1901, both New South Wales and Victoria were reluctant to distribute the money through the post offices, as these were a Federal responsibility, using the postal services thus implied passing over some of the control of the pension schemes to the Federal government (Kewley 1973:53-54).
14 The fact that compulsory contribution-based schemes were not popular with the voters was also evident from Hardy's laconic comment that "it is unnecessary to more than refer to the suggestion that direct contribution to a pension fund should be compulsory. No Government would stand that attempted to carry such a measure." (quoted in Kewley 1973:32, emphasis in original.)
15 However, the Victorian scheme was more restrictive than the schemes of New Zealand/New South Wales, since it could require the relatives of applicants to "show due cause" why they did not support the old person themselves, and could actually require them to do so (Davison 1995:9).
16 These provisions were not excluded until 1974, although by then presumably long dead letters (Carney and Hanks 1994:30). Notice that the first Danish scheme contained similar eligibility criteria (Petersen 1990:72).
5. Summing up on Scandinavian and Australian starting points

Both Denmark and Australia rejected the contribution-based approach adopted in Germany. Instead, they introduced means-tested subsistence schemes financed from general revenues (i.e., they chose old age "assistance" rather than old age "insurance" schemes). Denmark's lead was later followed by the other Nordic countries, although with some modifications: the Swedish and Finnish approach being somewhat closer to the German contribution-based approach.

In what follows, I shall account for the later unfolding of pension-political conflicts in Scandinavia and Australia, to detect when (if at all) their paths went in different directions, despite initial similarities; focusing in particular on how minimum protection was to be provided (with or without means-testing), and how the demand for income maintenance from various occupational groups were met in Scandinavia and Australia.17

6. Pension-political developments in Scandinavia after initiation until 1945: Softening of means-testing

In Denmark, explicit measurement criteria were introduced in 1922 (Petersen 1990:22). Also, benefit levels were increased. In Sweden, the contributory element of the minimum benefit gradually lost importance as the tax-financed benefit was made more generous. Nothing much happened to the Norwegian scheme in the period between 1936 and 1940, and new initiatives were postponed as the government had to escape to Britain during the 1940-45 German occupation.18 In Finland, the 1939-40 and 1941-43 wars with the Soviet Union (the last with active German support) upset Finnish financial markets to such an extent that the contribution-based 1937 scheme was in effect marginalized, implying that tax-financed minimum benefits (often of a provisional nature) became the major element in caring for the old.

17 In this article, I shall draw a distinction between means-testing and income-testing. Income-tested benefits are tested against some or all types of income, while means-tested benefits may also be tested against various types of assets or wealth.
18 The government of Vidkun Quisling, replacing the elected government during the war years, made no new initiatives in the area of pensions.

7. Pension-political developments in Australia after initiation until 1945

7.1. Softening of means-testing

In the years immediately following the introduction of old age pensions, a number of amendments were made. The residence qualification was reduced from 25 to 20 years in 1909. The eligible age for women was reduced from 65 to 60 years in 1910, and in 1912 the value of a pensioner's home was disregarded in determining the amount of his pension (Kewley 1973:77-79). The economic depression of the 1930s led to a scaling back of public pensions as well as all other types of public expenditure. Near relatives were required to contribute to the maintenance of pensioners, and it was stipulated that the amount of pension received should be a charge upon the pensioner's estate at his death. These and most other austerity measures were, however, repealed before 1937, when the pension was restored to its pre-depression rate (Kewley 1973:117). It is also worth noticing that although pensioners had no legal claim on their pensions (since they were not "earned", as in contribution-based schemes), the attempt to reduce benefits proved so unpopular among the electorate that pensions were more leniently treated in the depression years than most other types of government expenditure (Watts 1987:9-10)19.

7.2. Abortive attempts at contribution-based schemes

As early as in 1913 the Liberal party announced its intent to introduce a national insurance scheme (Kewley 1973:141). The idea was opposed by Labor, but not vehemently so. The friendly societies were much more hostile to the proposal (Kewley 1973:142). The Senate expressed doubt that the Federal government (Commonwealth) had constitutional powers to introduce a contributory scheme (Carney and Hanks 1994:33). This opposition delayed action. As the Liberal party lost power to Labor in

19 Kewley (1973:124) reports that the financial emergency legislation applied in 1931 by the Scullin Labor government (in office between 1929 and 1931) stated that expenditure upon pensions were to be reduced by only 12.5 percent, instead of 20 percent as with other governmental expenditure. Also, the austere measures taken with regard to eligibility and measurement criteria were only partly implemented before they were abandoned in the late 1930s (Kewley, ibid.).
the forthcoming (1914) election, and due to the First World War, no real initiatives were made until 1928. Then a Royal Commission, which had been appointed in 1923 by a Liberal/Country (National) coalition government, put forward a suggestion that it "was both desirable and necessary for the Federal government to establish a compulsory system of national insurance providing for the payment of sickness, invalidity and superannuation benefits, as well as a maternity benefit" (Kewley 1973:143). This recommendation may be seen in the light of the introduction of contributory pensions in the United Kingdom in 1925, replacing the 1908 tax-financed UK pension scheme (Watts 1987:12). Still under a Liberal/National coalition government, an advisory Committee then suggested compulsory insurance for persons between the ages of 16 and 65 years, engaged under a contract or service (i.e. the self-employed were not included). Contributions were to be flat-rate for workers, with equal contributions for all employees (Kewley 1973:144-145). However, unlike the UK, the attempt to introduce contributory pensions in Australia failed. Backbench members of the now Liberal and National parties offered only lukewarm support, and the Labor party - although not outright hostile to contributory pensions - apparently referred a system in which the employers paid all the contributions (Kewley 1973:147). Equally important, both friendly societies, employers' organizations and workers were sceptical of the proposal. The friendly societies protested especially against the proposal to admit other bodies, such as insurance organizations and trade unions, as approved societies in the administration of the compulsory schemes. Employers feared that - under the Australian system of arbitration - their contribution would ultimately be added to the weekly wage. The trade unions showed little interest in the proposal, and (according to Kewley ibid. 148) the ordinary workman was said to be "afraid that a contributory scheme...would not give him something for nothing, but something for which he would have to pay". Lastly, the fact that superannuation, sickness and maternity benefits were tied together in

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0 The Liberal party was renamed the National Party in 1917 and the United Australia party in 1931, until it once again became the Liberal party in 1944 (Jaensch 1991:123). To avoid confusion, I shall maintain the label "Liberal" throughout this article.

1 Members of the Labor party had been on the Royal Commission, without dissenting from its general conclusions.

2 Jones (1990:35) reports that the friendly societies served roughly 32 percent of the population at that time.

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The next attempt to introduce contributory old-age pensions came in 1938, again from a coalition government consisting of the now Liberal party (then the United Australia party) and the smaller National (then Country) Party. The scheme was seen as an instrument towards relieving the Treasury of the burden of financing pensions, while at the same time entailing direct taxation (in the form of contributions/earmarked taxes) to a large number of people who were not reached by Federal income tax (Kewley 1973:159,161). However, the Bill was received no more favourably by rank-and-file members of the coalition parties than was the 1928 proposal. The National party was especially unhappy that the self-employed (e.g. farmers) were excluded from the scheme, and the influential MP (and later Prime Minister) Arthur Fadden openly opposed the scheme in November 1938 (Watts 1987:19). Thus the Bill threatened to create a divide between the coalition partners (Watts 1987:20). In this situation, the Labor (opposition) party came out much more strongly against the proposal than in 1928 (Kewley 1973:162). Workers, employers and friendly societies took similar stands as in 1928. Nonetheless the Bill went through parliament, but the government decided to postpone the commencement date beyond the originally scheduled May 1939 date. Then came the Second World War, and the urgency to further defence spending provided for the indefinite postponement of the commencement of the scheme (Kewley 1973:164).

23 Originally named the Australian Country Party as it emerged in 1920 (Jaensch 1991:127). To avoid confusion, I shall maintain the present label (the National Party) throughout this article.

24 In June 1938 the National party backbench was promised that once the main Bill was passed, additional legislation would be passed to include the self-employed and farmers. By late 1938 it became clear that this promise was unlikely to be honored, due to the extra costs (Watts ibid.).
8. Summing up on Scandinavian and Australian developments from initiation until 1945

Neither Scandinavia nor Australia followed the 1925 UK shift from tax-financed to contribution-financed minimum pensions (although Finland and to a less extent Sweden initially emphasized financing through contributions). Both workers and employers were reluctant to accept the idea of contribution-financed social security. Part of the explanation may lie in the existence of independent agrarian parties, both in the Scandinavian countries and in Australia. The agrarian parties were reluctant to accept contribution-based pensions. Agrarian influence may explain the Danish/Icelandic and Norwegian initial focus on tax-financing, and the reluctant attitude of the National (Country) party in Australia helped frustrate the 1928 and 1938 Liberal party (United Australia party) initiatives to introduce contribution-based public pensions in Australia.

It is tempting to regard the persistent Australian opposition to contribution-based pensions also in the light of the rather idiosyncratic Australian arbitration system. Compulsory power for the conciliation and arbitration of disputes had been introduced in the South Australian legislature as early as in 1890 (Castles 1988:98). Arbitration had become the central institutional mechanism for resolving and incorporating the role of labour in the new Australian state. The system was consolidated during the interwar period and implied that all wage awards were regarded as consisting of a "basic wage" component (i.e. the minimum payable for unskilled labour) plus margins for "skill" (Castles, 1988:99). If social security contributions/earmarked taxes were to be introduced into this elaborate and regulated system of wage determination, it would have had to be explicitly incorporated in the decisions made by the Commonwealth Court of Conciliation and Arbitration. Thus it became difficult - at least in the short run - for workers to pass on contributions in the form of increased wage demands, or for employers to pass on contributions in the form of higher prices or lower wages. This rigidity in the wage-fixation mechanism, in the sense that both workers and employers would have to include the probable decisions made by the Court in calculating if they were coming out as winners or losers, probably heightened resistance towards contribution-based social security schemes in Australia, as compared with countries with less state intervention in the wage-negotiating game. In the Scandinavian countries, there were no formal barriers to "passing on" contributions to other actors through the elasticities of supply and demand in various markets. Having said that, it must be emphasized that as late as 1945 Australia and Scandinavia were essentially still on the same course: In none of these countries had tax-financed old-age benefits been replaced by contribution-based benefits, and in both sets of countries/states means-testing had gradually been softened (but not abolished altogether), in order to appeal to the pension interests of a gradually more affluent electorate. In the post-war years, however, differences were to emerge - at least temporarily.

9. Scandinavia after 1945

9.1. The introduction of basic pensions

After 1945 means-testing was abolished altogether in all the Scandinavian countries, and replaced by a system of flat-rate basic pensions financed out of general revenues. Iceland (which gained full independence from Denmark in 1944) and Sweden pioneered in 1948, followed by Norway (1956), Finland (1956) and Denmark (1970) (Salminen 1993:206,231,256,280). The Icelandic scheme was heavily influenced by Beveridge's proposals for a flat-rate British scheme (Iceland was the only Scandinavian country to be held by Allied forces during the Second World War). Although non-means-tested, the Icelandic scheme was financed from general revenues: the National (conservative) party, controlling

25 In the Australian case, generous repatriation benefits (including pension benefits from the ages of 55 and 60) for World War I ex-servicemen served to buffer the demand for new, extensive pension reforms (Jones 1990:30-31,40). Unlike Australia, the Scandinavian countries stayed outside the first World War and thus had few in any veteran's welfare schemes alongside ordinary social security schemes. The effect of veterans' schemes to "remove the pressure underneath the keel" was probably greater for other social security arrangements than old-age pensions; however. For example, war widows were recognized from 1914 while civilian widows were more tardily and grudgingly recognized. Widow's pensions were not introduced on a national level until 1942 (Carney and Hanks 1992:32,36).
Icelandic government, relied on the Danish heritage of tax financing rather than adopting Beveridge’s focus on contribution-financing. Past the Swedish Social Democratic government chose a similar approach, not least since the trade unions were sympathetic to an abolition of means-testing, as it removed a disincentive in their efforts to negotiate occupational pension schemes “on top of” the minimum scheme. In Finland, the trade unions, as well as the Social Democratic party, initially opted for contribution-based earnings-related schemes rather than flat-rate benefits to replace the by then hopelessly inadequate 1937 contribution-based minimum scheme (Kangas 1988). The Agrarian party government introduced non-means-tested minimum benefits financed out of general revenues in 1957 in direct confrontation with the trade unions (Salminen 1993:184-191). However, in the Finnish case an income-tested pension supplement was maintained alongside the basic benefit. A Norwegian Social Democratic government chose a basic pension system essentially similar to Sweden in 1956. Denmark was the most reluctant of the Scandinavian countries to wholly abolish means-testing. The Social Democrats introduced a basic benefit in 1970, but Denmark (as Finland) maintained an income-tested pension supplement alongside the minimum pension.

The Social Democratic parties, although formally responsible for the introduction of flat-rate benefits in both Sweden, Norway and Denmark, actually had rather mixed feelings on the issue. Factions inside those parties preferred means-tested to flat-rate benefits, as these were perceived as having a larger redistributive potential than flat-rate benefits (Baldwin 1990, Hatland 1987, Kangas 1988). The Agrarian parties were the most insistent on providing flat-rate pensions in all the Scandinavian countries (Salminen 1993). They were also most insistent in providing a uniform minimum pension level across the whole nation, in effect granting rural residents a somewhat higher minimum pension than urban residents, since the cost of living was less in rural areas. Due to their control of the crossover vote in Scandinavian parliaments, and/or the necessity of other parties (both left and right) to woo the interests of small-scale farmers and fishermen (who might otherwise flock to the Agrarian parties in greater numbers), their demand for flat-rate pensions was met in the Nordic countries.

9.2. The Scandinavian quest for earnings-related pensions

The Scandinavian convergence towards basic pensions did not last long. During the late 1940s and 1950s a demand for earnings-related pensions (superannuation schemes) hit the political agenda in all the Scandinavian countries. The demand was voiced mainly from the trade unions, who wanted access to earnings-related schemes similar to the occupational pension schemes serving civil servants and salaried staff (Overbye 1991). Sweden introduced public superannuation in 1959, and Finland inaugurated a system of semi-public occupational pensions for workers in the private sector in 1960. Norway essentially copied the Swedish scheme in 1966, while Iceland introduced compulsory occupational pension coverage for all employees in 1974. Denmark has so far refrained from introducing compulsory earnings-related pensions. However, Denmark introduced a contribution-financed public scheme providing flat-rate benefits (depending on the number of contribution years) in 1964, to “top up” the minimum benefit. The scheme was part of a tripartite bargaining arrangement, and was intended to compensate for voluntary wage restraint.

The introduction of compulsory earnings-related pensions in the Scandinavian countries was not uncontested. In Sweden, the Social Democrats responded to union demands and proposed introducing a unified public superannuation scheme financed through large, government-controlled pension funds. This evoked the fear of “pension fund socialism”, and united the non-Socialist parties (who were otherwise divided on the issue) in their opposition to the scheme. The result was one of the most dramatic incidents in post-war Swedish history. An advisory referendum, dissolution of Parliament and new elections were necessary before the Swedish Social Democrats were able to squeeze their proposal through parliament with a one-vote majority (Molin 1965). The defeat severely demoralized and weakened the non-Socialist parties, and also prompted the Swedish employers’ organization to advise its Finnish sister organization not to oppose public

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26) Itself an echo of the 1925 UK shift from a tax-financed to a contribution-financed scheme.

27) As mentioned above, in Finland the Agrarians were even in control of the government.
superannuation, but rather to channel the demand into schemes which the employers felt more comfortable with (Pentikainen 1987:27). Finnish employers then stated their willingness to support earnings-related schemes, provided that the administration of the funds was decentralized and in the hands of private financial institutions. The unions accepted this idea. The Conservatives and Social Democrats then joined hands in convincing a grudging government (led by the powerful Finnish Agrarian party) to introduce compulsory superannuation. In 1960, all three major parties agreed to introduce compulsory earnings-related in the private sector, through two broad-based schemes: TEL for full time employees and LEL for part-time and seasonal employees. This initiative was followed in 1964 by a new unified scheme for local government staff (KVTTEL), and in 1967 by a unified scheme for civil servants (VEL). Finally, in 1969, farmers and "other self-employed" got their own compulsory superannuation schemes (MYEL and YEL). Through these six legislated schemes, the whole Finnish work force got access to earnings-related pensions. It is worth noticing that the present Finnish superannuation structure resembles the German structure as much as the Swedish structure: Germany also maintains separate schemes for different sectors of the economy (i.e. the private sector, the public sector and the self-employed). However, Germany also maintains separate schemes for industrial workers and salaried staff within the private sector, while the Finnish TEL and LEL schemes are not split according to occupational status.

In Norway, the Social Democrats proposed introducing Swedish-style public superannuation in 1963 in an attempt to drive a wedge between the coalition partners in a newly formed four-party non-Socialist coalition government (Hatland 1987; Ringen 1987). The Conservatives and the Agrarians were against compulsory superannuation schemes, while the Liberals and the "Christian People's Party" supported such schemes. However, the Swedish experience had taught the non-Socialists not to let the Social Democrats exploit divergent opinions within the non-Socialist block. Rather than opposing the proposal, both the Conservatives and Agrarians quickly reversed their opinions and announced that they, too, supported Swedish-style superannuation. As the non-Socialist coalition partners won the following 1965 election, it fell upon a non-Socialist government to introduce public superannuation in Norway. The scheme was modelled on the Swedish, with two important exceptions. First, it was to a much larger extent financed on a pay-as-you-go basis. In this way, the non-Socialist government avoided accumulating a large public pension fund. Second, it was financed on a tripartite basis, rather than (as in Sweden) only by employer contributions.

In Norway and (in particular) in Sweden, the left is united through the Social Democratic parties, while the right is divided between several competing parties. This fragmentation on the right has provided the Social Democrats with a large "divide and rule" potential, which goes a long way in explaining the political dominance of the Social Democratic parties in these countries (Castles 1985:66-67). By contrast, in Iceland the left is fragmented while the right is united under the banners of the National party, which has maintained government control in most of Iceland's brief history as a fully independent state. In the aftermath of the Swedish superannuation struggle the Icelandic union movement (as in the other Scandinavian countries) began demanding public superannuation benefits, but the National government was not willing to fulfil this demand. In 1969/70, the unions then turned to the bargaining table. Since the Icelandic unions are strong and centralized, they succeeding in gaining the concession of employers to set up a system of centrally coordinated occupational pension schemes. Entitlement was initially reserved for unionized labour only. Then, in 1974, the Parliament (led by the National party) decided to make membership in an occupational pension scheme mandatory also for non-unionized labour. While broadening eligibility, the government simultaneously removed an incentive to join unions. Finally, in 1980, the Parliament

28 Unlike Sweden, the Finnish left was split between the Social Democrats and the Communists (who opposed earnings-related pensions), and the trade unions had little reason to believe that they could get earnings-related pensions unless they made this concession to the employers. Actually, the unions were not that interested in large public pension funds in the first place. The National Pension Institute (which administered the funds for the minimum, flat-rate scheme) was lead by the leader of the Agrarian party. Larger pension funds controlled by the National pension Institute were likely to imply larger investments in the rural parts of Finland, benefiting farmers rather than workers (Kangas 1988:34).

29 In Finland a 3/4 majority in parliament is necessary to pass major new laws (Kangas 1988). This rule is meant to secure minority interests against being oppressed by a narrow parliamentary majority, and to enhance consensus (compromise) politics.
decided that even employers and the self-employed were to be mandatory members of one of the approx. 85 Icelandic pension funds now in place (Magnusson and Sigurjónsson 1989).

The Swedish legislation also prompted Danish unions to lobby for public earnings-related pensions. As in Sweden (but unlike their Finnish and Norwegian sister parties), the Danish Social Democrats emphasized that the pension issue could be used as a vehicle to increase government control of capital formation. By linking the pension issue to a proposal to socialize capital ("pension fund socialism"), all the non-Socialist parties (as in Sweden) decided to oppose the issue. Unlike Sweden, however, the small Socialist party to the left of the Social Democrats also decided to oppose earnings-related pensions. The Socialists argued that earnings-related pensions maintained market inequalities. They wanted to stick to flat-rate or means-tested public pensions. Faced with opposition both from the left and right, the Social Democratic minority government could not muster sufficient support to implement the reform. A half-hearted (abortive) attempt was carried out in 1967. As non-Socialist coalition governments gradually came to dominate Danish politics during the 1970s and 1980s, the possibility of introducing Swedish-style superannuation in Denmark became gradually bleaker. Then, in 1990, the powerful Metal Worker’s union had finally had enough of waiting for a turn of the political tide. It decided to strike a separate occupational pension deal with its employers. Other unions immediately followed, and by the end of 1991 most Danish workers (including non-unionized workers) were members of occupational superannuation schemes, fairly similar to those prevailing in Iceland, although the Danish negotiated schemes are not state-guaranteed.30

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30 Also, the Danish schemes are mainly of the defined-contribution type while the Icelandic schemes are mainly of the defined benefit-type. In a defined benefit scheme, the pension level is specified as a percentage of average of final earnings. In a defined contribution scheme, the employers (and/or the employees) set aside a certain percentage of wages as contributions to a pension fund, but the future pension level is not specified. Except for Denmark, defined benefit schemes dominate the Scandinavian scene.

10. Australia after 1945

The war shifted the balance of power in Australia further away from the States towards the Federal (Commonwealth) government. Spurred by the war effort, uniform taxation was introduced in 1942, which in effect removed the States from the field of taxation (Jaensch 1990:303-04). In 1942 the States withdrew their income taxes. This handover to the Commonwealth was confirmed by a referendum in 1944. The subsequent financial supremacy of the Federal government removed an important obstacle towards uniform initiatives in the field of social policy.

10.1. Abolition of means-testing in Australia

The post-war years saw a renewed effort to abolish the means-test altogether. This lobbying was partly caused by people who argued that a total removal of means-testing might enhance the idea that benefits were a question of right, not charity; but it was also invoked by a growing number of well-to-do taxpayers arguing that the means-test barred them from receiving the benefits they were financing. According to Kewley (1973:290), the most vigorous in their demand for a total removal of the means test were persons who were contributing to occupational earnings-related schemes. By the Second World War, occupational superannuation was widespread in the public sector, but less so in the private sector where coverage was largely restricted to the staff of banks and insurance companies, as well as to white-collar employees in a limited number of large businesses (Zakharov 1988:161). As time passed, however, the number of employees covered by such occupational pensions increased (Zakharov ibid.:162-63,171-72).

During the period 1940-64 substantial changes were made in the Federal old-age pension scheme. The rates were increased, the qualifying period of residence halved (down to 10 years of continuous residence) and the means test was liberalised (Kewley 1973:283,303). In 1958 housing assistance was introduced for pensioners paying rent (Carney and Hanks 1994:39). These measures were partly implemented by the Labor party which held office from 1941 till 1949, but mainly by the Liberal party, which controlled the Federal government from 1949
till 1972, in coalition with the National (country agrarian) party. In 1969 the withdrawal rate of the minimum pension was reduced from 100 percent of the amount by which income exceeded the specified limits down to 50 percent, reducing the extremely high marginal "tax" rate (poverty trap) experienced by pensioners with personal savings or employment income (Cass 1988:7). Liberal ministers on some occasions (e.g. in 1952 and 1972) announced an upcoming total abolition of means-testing, as had Labor party officials on various occasions: e.g. in 1912, 1932 and 1969 (Kewley 1973:83,127,381,386). The first Labor government to replace the Liberal/National coalition in 23 years (the Whitlam government of 1972-75) actually fulfilled this promise for pensioners above the age of 70. In 1973 the means test was abolished for those aged 75 and over, and in 1975 it was abolished for those aged 70 to 74 (Cass 1988:7). The new Liberal/National coalition government of 1975 then abolished the property test for the remaining pensioners in 1976, implying that the pension was tested against income alone (Cass ibid.). As in the Scandinavian countries, the farmers were particularly eager to see this reform implemented (Sax 1990:44,49). However, in 1978 the rates of the income test free pension was frozen, and future (nominal) pension increases for those aged 70 years and over were subjected to an income test (Zakharov 1988:12). When the voters returned a new Labor government to office in 1983, the by then less valuable frozen rate pension was also made subject to an income test. In 1985 Labor also reintroduced an asset test (Cass, ibid.)31. Nonetheless, for the brief period between 1975 and 1978 Australia had a minimum benefit measured out at least as "universally" as in Norway and Denmark.

Softening of means-testing implied that a growing number of retired people were eligible for an old-age pension. While stable between 1911 and 1933 at approx. 33 percent of persons of pensionable age, it increased to 42 percent in 1954 and 50 percent in 1960 (Kewley 1973:308).

It is worth noticing that from 1960 most indigenous people became eligible for old age and invalidity pensions on the same basis as other

31 The new test recognized home ownership beneficially by excluding the value of the home, although a higher level of allowable assets for non-home owners imply that part of the value of a house is in reality included in the asset test (Cass, ibid.).

ethnic groups (Kewley 1973:304). Thus from this year universality with regard to eligibility criteria (if not measurement criteria) was accomplished: As in Scandinavia, all Australian residents now had the right to apply for a public old-age pension, irrespective of their occupational or ethnic status.32

10.2. The Australian quest for earnings-related pensions

The long period (1949-72) dominated by Liberal/National governments saw two renewed, half-hearted attempts to introduce national (contributory) superannuation, this time not to supplant, but only to supplement, the existing tax-financed scheme. However, these initiatives never advanced beyond the planning stage (Kewley 1973:188,252-53,299-300). In 1960, the Liberal party removed from its platform the plank relating to contributory schemes, which had been kept since the party's initiation in 1945 (Kewley 1973:252,254).

While the Liberal party shelved contributory superannuation, the Labor party expressed less hostility to the idea. Thus in 1973 the Whitlam (Labor) government appointed a committee for inquiring into the possibility of a national superannuation scheme. However, the committee did not finish its work until Labor had been overtaken yet again by a Liberal/National coalition government, which shelved the proposal in 1979 (Zakharov 1988:112; Cass 1988:6).

Although Labor had on several occasions (especially in 1938) been negative towards proposals for contributory pensions when they were initiated by the Liberal party, the more accommodating Whitlam attitude may indicate that their vehement opposition in 1938 might have been tactical rather than strategic in nature: an assumption which fits in with Kewley's cue that the Labor party on various occasions expressed only weak resistance to, or downright endorsement of, the contributory principle, if employers were the main or only contributors (see Kewley 1973:146-47,385).33 Also, in the 1970s the trade unions had become

32 Or: almost all. The Act stated that indigenous people who were "nomadic or primitive" might still be denied a pension (Kewley ibid.). Full inclusion did not occur until 1966 (Alman and Sanders 1991:1-3).
33 This fits in nicely with the position taken by the Social Democratic parties in Scandinavia, with the exception of the rather insignificant Icelandic party. The Icelandic Social Democratic party is the only such party in Scandinavia without

After a new spell of Liberal/National coalition governments between 1975 and 1983, the Labor party was returned to power once more in 1983. No immediate initiative concerning superannuation was taken, but in September 1985 the Government and the Australian Council of Trade Unions agreed to propose a 3 per cent national productivity award to be paid to all employees in the form of a superannuation benefit. The then Conciliation and Arbitration Commission decided that all employers under its jurisdiction would be required to pay contributions (deferred pay increases) on behalf of their employees equal to three per cent of wages to approved funds (Zakharov 1988:163; Bateman and Piggott 1992:15). This move was part of a larger arbitration agreement, and was framed as compensation for wage restraint (Sax 1990:24). This arbitration decision must be seen in the context of a gradual increase in occupational superannuation during the last decades (Jones 1990:122). Estimates suggest that 30 per cent of private employees and 60 per cent of public employees were covered by occupational superannuation before 1986 (Bateman and Piggott 1992:3). The union movement by the 1980s claimed new and improved superannuation in lieu of wage increases (Borowski 1991:35). Superannuation was pursued for two reasons: First, as a new agenda in which the unions could show initiative in an economic climate with limited scope for wage increases, and secondly, because of a desire for uncovered workers to gain access to the superannuation tax concessions enjoyed by the "more advantaged" members of the workforce, in particular salaried staff (Borowski, ibid.). In conjunction with the last argument, it should be pointed out that steady wage increases in the post-war period had furnished workers with an increasing demand for income maintenance schemes alongside minimum protection. The Australian situation in 1986 resembles the Icelandic situation in 1970 and the Danish situation in 1990, also characterized by union initiatives in a situation in which attempts at a political solution had been frustrated on several earlier occasions.

In a second round of arbitration in 1991, the unions tried to add a further 3 per cent mandatory employer contribution to superannuation, but this time the Arbitration Commission (now renamed the Industrial Relations Commission) turned down the claim (Borowski, ibid.). The unions then turned to the Labor government, and the consequent 1991-92 Budget decision introduced the so-called superannuation guarantee levy (SGL) (Gruen and Grattan 1993:126-128). The SGL is to operate as a fine on employers not providing a legislated "minimum level of superannuation support" for their workers. In practice, the SGL introduced compulsory occupational superannuation financed through employer contributions. The SGL may serve as a political instrument for gradually increasing employers' contributions, by increasing the "minimum level of superannuation support" the employers are obliged to provide. The level was set initially at five per cent of ordinary earnings (three per cent for small employers). The Labor government has announced an intent to increase the level to nine per cent by the turn of the century (Bateman and Piggott 1992:5). Through this legislation, employer-financed compulsory earnings-related pensions have in reality been introduced in Australia, resulting in a system which shows close similarities to the Icelandic and Danish systems in particular.

11. Summing up on Scandinavian and Australian developments from 1945 until the introduction of earnings-related pensions

In both Scandinavia and Australia, the demand for flat-rate basic pensions was increasingly voiced from trade unions, in order to remove disincentives in their efforts to set up occupational superannuation schemes (following an increased demand for income maintenance among their gradually more affluent members). In both sets of countries softening of means-testing was usually more vigorously pushed by the non-Labor parties (especially the agrarian parties), whose core constituencies were generally somewhat more well-off, and/or had more

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34 Alongside pressure from trade unions, one of the motives behind the 1986 Accord and 1991/92 Budget decision was undoubtedly also to enhance the national savings rate. Means-testing in the Australian pension system has served as a disincentive to savings, and may also explain why most retirement savings take the form of lump sums rather than annuities. Through the superannuation guarantee levy, savings for retirement has now been made compulsory in Australia; implying that the disincentive problem posed by the means-tested minimum scheme is of somewhat less importance.
Means-testing was eventually replaced with a system of flat-rate basic benefits. In Denmark, Iceland, Norway and Australia the basic benefit was payable from the age of 70.\textsuperscript{35} Australia claimed only 10 years of residency in order to claim a full basic pension, as opposed to 40 years in Denmark, Iceland and Norway.\textsuperscript{36} By contrast, in Sweden and Finland the basic benefit was payable from the age of 65.\textsuperscript{37} Iceland, Norway and Denmark later reduced the age requirement for the granting of the basic benefit from 70 to 67 years, but for those aged 67 to 70 the basic pension was subjected to an earnings test.\textsuperscript{38}

As real wages rose even further in the post-war years, trade unions in both Scandinavia and Australia began demanding employer-financed earnings-related pensions in order to reach a level of income maintenance similar to the level enjoyed by salaried staff and civil servants. Thanks to the close links to the Social Democratic parties, these demands were taken up and pursued by Social Democratic (and Labor) governments. The exact institutional design of these earnings-related schemes varied, however, dependent on differences in bargaining position between Social Democratic, Conservative and Liberal/Agrarian parties in the parliaments of the various countries.\textsuperscript{39}

In the Australian case, it is also interesting to notice that the move towards compulsory occupational superannuation took place only in a situation in which the "arbitration strategy to enhance income security" had begun to crack. As argued by Castles (1985), Australian trade unions did for several decades rely on a combination of protectionism, immigration control, compulsory wage arbitration and easy access to home ownership in order to secure their members a sufficient and stable life-cycle income stream (cf. also Wheelwright 1989:30-31). This strategy protected the workers (to some extent at least) against the risk of being undercut by immigrants, or being chased out of business by cheaper imports. However, as the pressure of international competition continued to mount during the 1970s and 1980s, the components of this unique "Australian way of providing income protection" came under increasing pressure. The alternative has to some extent at least been to allow higher employment and wage insecurity, in return for more explicit security devices, i.e. different types of social security schemes for those who lose out in the competition.

12. The emergence of dual compulsory pension systems in Scandinavia and Australia

12.1. The Scandinavian scaling back of basic pensions after the introduction of earnings-related pensions

The introduction of compulsory earnings-related pensions in Scandinavia has been accompanied by a gradual transformation of the minimum pension system. All countries have introduced income-tested "pension supplements" in addition to their basic pensions, and in all countries the basic pension is either becoming income-tested, or it is scaled back and replaced with income-tested pension supplements.

\textsuperscript{35} The pension age in the 1891 pension scheme was set at 60 years, only later (as invalidity pensions were introduced) to be increased to 70 years (Petersen 1990:71).

\textsuperscript{36} Norway introduced a general pension supplement in 1967, and Iceland in 1970.

\textsuperscript{37} However, in Finland a means-tested pension supplement was maintained alongside the basic pension, reducing the importance of the latter.

\textsuperscript{38} Sweden and Finland initially used more liberal residence requirements than Denmark, Norway and Iceland, but switched to the 40-year rule as they entered the European Economic Area (EEA) in 1992.

\textsuperscript{39} The National (Country) party has been in alliance with the Liberal party in all non-Labour governments since 1920 (Jaensch 1990:77,120). The 1975, 1977 and 1981 federal elections provided the Liberal party with sufficient parliamentary numbers for it to govern alone, but the coalition prevailed, not least to secure that the National party stayed in the fold (Jaensch 1990:128).
Table 1. Maximum pension supplement as a percentage of the basic pension. Single pensioner, selected years

<table>
<thead>
<tr>
<th>Year</th>
<th>Denmark</th>
<th>Iceland</th>
<th>Norway</th>
<th>Sweden</th>
<th>Finland</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970</td>
<td>22</td>
<td>0</td>
<td>8</td>
<td>6</td>
<td>266</td>
</tr>
<tr>
<td>1972</td>
<td>22</td>
<td>46</td>
<td>16</td>
<td>12</td>
<td>338</td>
</tr>
<tr>
<td>1982</td>
<td>18</td>
<td>110</td>
<td>49</td>
<td>46</td>
<td>418</td>
</tr>
<tr>
<td>1987</td>
<td>19</td>
<td>165</td>
<td>54</td>
<td>48</td>
<td>467</td>
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<td>26</td>
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<td>57</td>
<td>48</td>
<td>467</td>
</tr>
<tr>
<td>1991</td>
<td>26</td>
<td></td>
<td>60</td>
<td>54</td>
<td>467</td>
</tr>
</tbody>
</table>

Sources: Stmeld. 12 (1988-89) plus updates (Norway); Socialförsäkringsfakta RTV (Sweden); Statistical Yearbook of the Social Insurance Institution (Finland); Internal statistics from the Department of Social Affairs (Denmark); Internal statistics from the Department of Social Affairs (Iceland).

In order to understand why the introduction of compulsory earnings-related pensions has triggered a structural transformation of the minimum pension system away from basic benefits towards income-tested pension supplements, it is necessary to point out that the initial softening of income-testing, and introduction of flat-rate basic benefits, was not uncontested. Adherents of income-tested rather than basic minimum pensions existed in all Scandinavian countries, on both the left and the right. On the left, some argued that income-tested benefits were preferable to basic (flat) benefits, since the former had a higher redistributive potential. On the right, the Conservatives in particular wanted to target public funds on the most destitute, partly in order to leave as large a scope as possible for private initiatives, and partly in order to minimize taxes. However, some argued that flat-rate benefits had less detrimental incentive effects in the labour and savings markets (no "poverty trap" problems), and that equal pensions for all should be regarded as a "citizenship right", thereby furthering national cohesion (the latter argument was especially utilized by the Liberal and Agrarian parties). Similar arguments were voiced on the left, and - equally important - the trade unions often lobbied for an abolition of income-testing, as this served as an impediment to their efforts to negotiate voluntary occupational pension deals "on top of" the minimum schemes. However, when compulsory earnings-related pensions were introduced, it became necessary to test further increases in the minimum pension at least against the new superannuation schemes, in order to prevent the income replacement rates of these schemes from rising towards or above 100 percent. Equally important, with compulsory earnings-related pensions well in place, the unions no longer had any incentive to lobby for abolition of income-testing in order to further their efforts in negotiating voluntary occupational schemes. The old tax-financed pension schemes now catered mostly for those without any stable employment or work record, such as homeworkers (mainly females) and the "lumpenproletariat". None of these groups represent core constituencies for either right or left parties. Consequently, the introduction of compulsory superannuation went along with - or triggered - a gradual scaling back of basic pensions, or increased income-testing of the tax-financed benefit. The introduction of earnings-related pensions on a broad scale thus changed the institutional setting for the pension-political game, strengthening the position of those who wanted a scale back of basic pensions and a return to income-tested minimum benefits. It should be noticed, however, than in some of the Nordic countries the amount of income-testing is very limited: Sweden, Norway and Finland test the pension supplement only against income from the compulsory superannuation schemes.

The link between the introduction of compulsory superannuation and the scale-back of basic pensions was particularly apparent in the Swedish case. As Swedish Social Democrats introduced public superannuation in 1959, the government also decided to link further increases in the basic pension to a price index rather than a wage index. Provided that real wages continued to grow, the indexation rule induced a gradual relative decline of the basic pension. This further organizing low-pay workers were inclined to prefer an increase in the means-tested minimum pension; unions organizing higher-paid workers were more wary of how means-testing served as an impediment to setting up occupational pension schemes.

41 In the Danish and Australian case, the self-employed are also outside the mandatory superannuation systems. Notice that in these two countries, superannuation is of the defined-contribution type, and the unions are heavily involved in the administration of the pension funds: whereas in the other countries, benefits are mostly of the defined benefit type.

42 Besides, these groups are on the decline both in Scandinavia and Australia.

43 The formal linkage was made in 1962, but did not become wholly operative until 1967 (SOU 1990:76,380).
implied that minimum pensioners became gradually more dependent on pension supplements, in order to maintain a living standard on par with wage earners. Until the Swedish Parliament introduced a general pension supplement in July 1969 (copying a similar Norwegian proposal introduced a few months earlier), these pension supplements consisted mainly of regionally differentiated housing (rent) assistance.

In conjunction with the last point, it should be pointed out that one of the divergences between the Social Democratic and Agrarian parties in Scandinavia has been over the issue of a national versus region-specific minimum benefit levels. A national (uniform) benefit level does in effect provide rural inhabitants (e.g. farmers) with a somewhat higher benefit level than urban inhabitants (e.g. industrial workers), since living costs have on average been somewhat higher in urban than in rural areas. The Agrarian parties (in Sweden as in the other Nordic countries) were the main force behind the drive for a uniform, national benefit level in Scandinavia; and they have also been the most vehement opponents of any property test (Salminen 1993:165,186). By scaling back basic pension and increasing housing assistance, the Swedish Social Democrats did for a period (until the general pension supplement was introduced in 1969) increase the regional differentiation of the minimum benefit. They also secured larger benefits for urban areas (since housing assistance was usually tied to rented apartments, and such apartments were almost non-existent in the countryside).

As table 1 indicates, Denmark did for a long time maintain a high basic pension relative to the general pension supplement. This fits in with the fact that Denmark was the last of these countries to introduce earnings-related pensions on a massive scale. However, in 1994 the basic (universal) benefit was subjected to income-testing, implying that Denmark in one stroke has moved from the most "universal" (in terms of measurement criteria) to the most "residual" of the Scandinavian countries, although Iceland (as shown in table 1) is not far behind (Ploug and Kvist 1994:36).

To sum up, the introduction of compulsory earnings-related pensions in Scandinavia marks the beginning of a shift away from flat-rate basic benefits towards a dual pension structure, in which the working population are served by earnings-related schemes while pensioners with limited or no previous work experience are relegated to income-tested supplementary benefits.

12.2. Increased means-testing in Australia

As Labor was returned to power in 1983, it reversed its earlier policy of 1972-75 in softening means-testing. Through increased income testing, and the reintroduction of an asset test, the percentage of old people of pensionable age eligible to receive the old-age pension dropped from a peak level of 87 percent in 1983 to 72 percent in 1992 (Graen and Grattan 1993:192). Instead, Labor encouraged the introduction of occupational superannuation schemes (Burunowski 1991:34). The 1986 and 1991/92 decisions to fulfil union demands for compulsory employer-sponsored occupational pensions are indicative of the government's commitment to this aim.

13. In search of a common cause

Both Scandinavia and Australia have moved from means-tested minimum pensions towards dual compulsory pension systems. The development has run through three phases. First, means-testing was softened and replaced by flat-rate basic pensions financed out of general revenue. Then, compulsory earnings-related pensions were introduced (in all countries except Denmark). Third, the basic pension was scaled back and replaced by minimum benefits which were tested at least against income from the compulsory earnings-related schemes. The end result so far is the emergence of a dual pension structure, in which the superannuation, Finland followed the Danish/Icelandic practice until 1984, but has later implemented the more limited income-testing of Sweden/Norway. 46 However, tax policy vis-a-vis occupational schemes has vacillated somewhat between harsher and more generous measures, tending towards the formers (Bateman and Piggott 1992:22-23). This may reveal a desire to shift superannuation away from lump-sums towards annuities, as lump-sums were faced with a harder tax regime than annuities. A peculiarity of the Australian occupational superannuation schemes as compared to most European countries is their reliance on paying out one large lump-sum benefit rather than a string of annuities.

44 It is worth noticing that the engineers of the Swedish 1959 pension reform believed in annual growth rates of at least 3 per cent annually (Eriksen and Palmer, 1992:28).
45 The amount of means-testing in the general pension supplements of the Nordic countries varies. Denmark and Iceland test the supplement against several types of Income. Sweden and Norway test the supplement only against income from public
The overwhelming majority of the working population are members of earnings-related schemes, while pensioners with little or no previous work experience are served by income-tested minimum protection systems. The development sequence is illustrated in Figure 1.

<table>
<thead>
<tr>
<th>Sequence of developments:</th>
<th>Denmark</th>
<th>Iceland</th>
<th>Sweden</th>
<th>Norway</th>
<th>Finland</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Means-tested minimum pensions</td>
<td>1891</td>
<td>1891</td>
<td>1913</td>
<td>1936</td>
<td>1937</td>
<td>1908</td>
</tr>
<tr>
<td>Increased income-testing in minimum scheme: towards a dual pension structure</td>
<td>since 1994</td>
<td>since 1970</td>
<td>since 1959</td>
<td>since 1967</td>
<td>since 1960</td>
<td>since 1983</td>
</tr>
</tbody>
</table>

Although idiosyncratic factors (causes) may be at work in each case, the fact that all the countries under study fit into the same pattern suggests that there may be some common factor at work, pushing all countries which started out with means-tested minimum protection system through a similar sequence of developments. Rising affluence among the working population may be this common (causal) factor. As long as most inhabitants in a country are poor, their pension security interests may be efficiently served by a means-tested minimum pension system. However, as real income levels rise, an ever-larger proportion of the electorate are faced with a situation in which they pay for benefits (through taxation) they are cut off from receiving. This leads to an increased demand for a softening of means-testing, and subsequently for the introduction of earnings-related schemes, to satisfy the demand for “income maintenance” across ever-larger occupational groups. Politicians of different colours have met these demands by softening means-testing, and by introducing various institutional designs of compulsory superannuation schemes. As the majority gain access to earnings-related schemes, they no longer have an immediate interest in the maintenance of a flat-rate basic scheme; hence this is subsequently cut back and replaced with various types of means-tested minimum benefits to serve the small faction of pensioners with a short or non-existent previous work record. The end result is convergence towards a dual compulsory pension structure, in which the working population are served by various types of earnings-related schemes, and marginal groups by tax-financed, means-tested minimum benefits (cf. Rimlinger 1971:343; Wilensky 1975:40-42; Gordon 1988:44-45; Overbye 1994:152). The underlying logic in this sequence may be illustrated as in Figure 2.

14. The scope for generalizations

The strategy adopted in this paper has been to “immerse oneself” in the study of one particular aspect of social reality (old-age pensions) in a limited number of countries, rather than to reach for broad generalizations across larger groups of countries. Nonetheless, the results derived from this analysis may have a somewhat broader scope. In the following, I shall suggest three possible avenues for further empirical research along the lines suggested in this paper.
14.1. Old age pensions in other countries

I have limited the analysis to a comparison of the Scandinavian countries and Australia. It may be, however, that the logic presented in figure 1 and 2 may be at work in other countries as well; at least in countries which share the Australia-Scandinavian early emphasis on tax-financed minimum protection: Canada, Ireland, New Zealand and the UK (cf. Overbye 1994). Of these, Canada introduced full-fledged public superannuation in 1965 (Gordon 1988:50). The UK introduced superannuation (SERPS) in 1975, combined with compulsory occupational or personal pension coverage (Nordheim Nielsen 1983). By contrast, New Zealand and Ireland have so far chosen to abstain from introducing compulsory earnings-related schemes (Davidson 1989; Hughes 1992).

A particularly intriguing question concerns future policy developments in New Zealand. According to Castles (1985), New Zealand shares the Australian experience on relying on compulsory arbitration, protectionism, immigration control and easy access to home ownership as an alternative strategy to grant its working population "insurance" against various social risks, rather than to set up extensive social security (insurance) schemes for those who lose out in the competition. Today, New Zealand has to an even larger extent that Australia opened up its economy and exposed its population to domestic as well as international competition - implying that the levels of (social) risks have presumably risen across broad segments of the electorate. Nonetheless, New Zealand has (so far) abstained from following the Australian lead in introducing de facto compulsory earnings-related pension coverage through occupational superannuation. The generous tax-financed flat-rate "superannuation" benefit introduced in 1977 has to some extent served as a substitute for proper earnings-related pensions (St John 1992:128). However, its importance has been diminished through a 1985 tax surcharge, which in effect reduces the pension level for high income groups in particular. Also, tax subsidies to private plans were severely curtailed in 1987 in an attempt to broaden the tax base (St John 1992:130). If the logic presented in figure 2 is valid, there may be an increasing pent up demand for pension reforms in New Zealand, in particular if the tax surcharge is expanded further in the future.

14.2. The impact of federal vs. unitary states

In the Australian case, the Federal structure of the state may have served as an additional impediment to introducing a unified national superannuation scheme, as this would have tilted fiscal power further towards the Federal government away from the States. The States have fought to curtail Federal tax initiatives on many occasions (Smith, 1993:41-42,47,70-71,84,86). Also, a large proportion of Federal revenues are provided as general purpose grants to the States, a practice which is derived from the constitutional division of public expenditure responsibilities (Smith 1993:81,97). It may even be that the States are somewhat reluctant to endorse new Federal welfare initiatives (including expanding existing schemes), as Federal specific purpose welfare programs have sometimes been used by Federal elites as means to "sugar the pill" of increased Federal dominance in the field of taxation. The risk of Federal welfare initiatives being caught up in the fiscal tug-of-war between Federal and State authorities is probably particularly large in situations in which one party does not simultaneously control both the House of Representatives and Senate. This tends to be the situation since most Senate members since 1949 have been elected through proportional representation rather than "winner-takes-all" constituencies, implying that small third parties have

48 It should be noticed, however, that the factors which eventually triggered the introduction of large-scale or compulsory earnings-related occupational superannuation in Scandinavia and Australia may yet be missing in New Zealand. In Iceland, compulsory coverage was triggered by the occupational pension agreement of 1969/70, plus an attempt by the ruling (National) party to remove an incentive to join unions; in Australia it was the combined efforts of a strong union movement and a (Labour) government essentially sympathetic to trade union demands; in Denmark it is so far only the strong though somewhat fragmented union movement which has secured workers (even in the private sector) some modicum of occupational pensions to top up the minimum scheme. By contrast, New Zealand has a fairly weak trade union movement, and as yet a (Conservative) government with no formal or informal ties to the trade union movement.

49 According to the Constitution, the States have the major responsibilities for providing public services, but little access to substantial tax revenue to meet growing community needs and expectations (Smith, ibid.).

50 This was the case as Federal old-age pensions were introduced in 1909 (see above), and also as Federal widow's pensions were introduced in 1942 (Smith 1993:71).

47 Although New Zealand has pursued somewhat more extensive tax-and-spend policies, in particular through the 1938 social security reform.
often controlled the "crossover vote" in the Senate. Even in situations in which one party controls both House and Senate, a risk-averse ruling elite should show restraint in pursuing policy proposals which might provide its competitors with an edge in upcoming elections. Since there is a maximum of three years between House elections, little coordination between House and Senate elections and non-synchronized elections to State governments as well, there is almost always a new, important election coming up in Australian politics. Thus Australian politics to a considerable extent (as in the US) take on the character of a "permanent electoral campaign". Taken together, the above factors may further have limited the scope for Federal welfare spending as compared with welfare spending in unitary states. In effect, all governments (including Labor governments) have been left with a smaller tax take, and/or less scope for national welfare programs, as compared with their Scandinavian counterparts. In this situation, governments have applied more stringent means-testing, i.e. stretched the available funds, so as to ensure fairly decent (Federal) benefit levels for the worst off.

It may be an interesting prospect for future research to check the general validity of an hypothesis assuming that Federal decision-making structures serve as a break on taxation and thus on national (Federal) welfare spending. It is worth noticing that Canada, the US and Switzerland also emerge as countries with fairly low taxes and welfare spending. Like Australia, these states are characterized by a Federal power structure plus long, uninterrupted spells of democratic rule. The latter implies that regional authorities have avoided being severely weakened through long or intense spells of unitary autocratic rule, as has happened in some other present-day Federal states. Also notice that Castles and McKinlay (1979:174,177) found federal states to lag behind unitary states with respect to the level of transfer payments.

As a corollary to the above argument, it should be pointed out that regulation policies may sometimes serve as a substitute for tax-and-spend policies. A Federal government may find it easier to pursue its objectives through setting up various mandatory requirements for organizations and businesses to fulfil, rather than to use fiscal measures: the reason being that regulation policies may provoke less resistance from regional elites. Thus it is illuminating to note that the Australian strategy for achieving de facto compulsory earnings-related pension coverage has been to impose a levy on those employers who do not introduce such schemes, i.e. it is a "regulation policy" which does not require any new Federal taxes (or spending). Castles' (1985, 1988) argument that the early Australian strategy for providing worker protection was through compulsory arbitration, protectionism and immigration control devices rather than through explicit social security schemes fits in with this hypothesis. Tariffs and immigration policies were already from the outset defined as Federal (regulation) responsibilities, implying that these means could be utilized to further worker protection, without first having to gain the consent of the States.

It follows from the above line of thought that Federal states may to some extent erroneously be labelled welfare state laggards by researchers who focus exclusively on the "tax and spend" side of welfare policies. In order to gain a comprehensive picture of welfare provisions across countries, it is necessary also to take into consideration the possibility that countries with low levels of taxation and spending may simply have chosen other policy measures (i.e. regulation strategies) as "functional equivalents" in order to reach similar social policy objectives, i.e. in order to satisfy popular demands for "insurance" against various types of social risks (including the risk of poverty during old age).}

51 Jaensch (1990:294) claims that although the Senate was established as a "protective mechanism for the States", its design was rapidly overtaken by party politics. However, even if parties have "invaded" both the House of Representatives and the Senate, the pure possibility of the States being able to veto a federal bill may provide a ruling federal elite with a further incentive to show caution and self-restraint, as compared to an elite in charge of a unitary state. Besides, the States may appeal to the High Court in cases in which they believe the Federal government has exceeded its constitutional mandate - a possibility which has been utilized on several occasions (Jaensch 1990:302). This possibility also increases the probability that the Federal government will display self-restraint in putting forward legislation which may challenge some of the States.

52 Such as Germany, Italy and Spain.

53 Notice that the fiscal tug-of-war between State and Federal governments was particularly intense before 1942, i.e. in the period when the Australian "arbitration and regulation solution" to providing worker security was at its peak.

54 In the case of welfare services, regulation policies may include providing tax incentives to private providers, but given the high costs of such labour-incentive services, it may be more difficult to rely primarily on regulation in these instances. Also, in Australia these services are defined as the responsibilities of the States.

55 Another example is the Australian practice of providing work injury and sickness benefits. See Castles 1988:103.
14.3. The evolution of other types of policies

Security during old age is not the only "insurance demand" pursued by the population in a situation in which their exposure to risk increases. Voters undoubtedly demand insurance against other types of (social) risks as well. Increased levels of risks are likely to trigger increased demands for insurance. Thus in the Australian setting in particular, it is reasonable to assume that demands for earnings-related unemployment insurance are now increasingly to be voiced by workers and their unions, as unemployment risk has risen rapidly during the last decade, even among fairly affluent segments of the work force. Thus it might be that a similar sequence of developments - from tax-financed means-tested assistance schemes towards a blend of contribution-based earnings-related schemes for the working population plus income-tested assistance schemes for those without any previous employment record - may hold true also for other social risks than old age. However, the drift towards a dual system may be delayed by a unitary system with high maximum levels.

15. Concluding remarks

The purpose of this paper has been to detect similarities and differences in the pension-political development across two sets of countries often perceived as polar opposite cases in the "welfare regime" literature: Scandinavia and Australia. The analysis reveals important similarities in the sequence of developments having taken place in all countries, although they differ in the timing of various policy initiatives, as well as in the institutional set-up of the pension schemes. All countries have moved towards dual compulsory pension systems, in which the working population are members of compulsory earnings-related pensions while pensioners with a short or non-existent work record are served by income-tested supplementary benefits. Scandinavia and Australia have thus moved towards convergence in policy outcomes, in the sense that roughly similar segments of the population are now in the process of getting access to roughly similar benefit levels, despite prevailing institutional variation.

Interestingly, Australia and western Scandinavia (in particular Iceland and Denmark) share many similarities also in institutional designs, in particular by introducing a network of occupational superannuation schemes rather than public, unified superannuation schemes. The institutional similarities between Australia and Denmark/Iceland may stem partly from the fact that all of these countries have experienced strong and/or unified centre-right parties, able to dominate the political scene in much of the post-war years. These elites only hesitantly pursued earnings-related pensions, prompting the trade unions to negotiate extensive networks of occupational pensions. Only then did the non-Labor parties initiate - or accept - compulsory occupational coverage. Another ("deeper") factor, pushing in the same direction, may have been the historically derived affinity of various ruling elites to look towards either Germany or Britain (and later the US) as countries suitable to use as role models. Australian elites (like Danish elites) were initially reluctant to copy German policies. Finland on the other hand had received indispensable support from Germany in their 1917/18 efforts to secede from the Soviet Union, and consequently had a far more accommodating attitude towards ideas originating in Germany. Thus historically derived (positive or negative) stereotypes held by Scandinavian and Australian elites vis-a-vis other countries may also have played a role in the pension-political game, at least in the initial stages.

The existence of an independent agrarian party both in the Scandinavian and Australian setting delayed attempts to introduce contribution-based earnings-related pension schemes on a compulsory basis. The Australian agrarian party (as its Scandinavian counterparts) was reluctant to accept contribution-based pensions, and this helped abort the 1928 and 1938 Liberal party initiatives to introduce contribution-based public pensions in Australia, thus frustrating Australian initiatives.

56 Cf. e.g. Neidts argument against a contributory scheme voiced in the New South Wales debate in the late 19th century, that in would be "un-British" to copy the German (Prussian) approach: "Only in the case of a people steeped in militarism, and accustomed to discipline and restraints, is such a system a possibility" (Neidt quoted in Kewley 1973:32). Compare this to similar attitudes held by Danish and British politicians: Petersen 1990:85-86.

57 The different affinities of the Scandinavian elites peaked during the Second World War, in which Denmark, Iceland and Norway were engaged with the Allies, Finland de facto with the Axis while Sweden managed to steer a middle course and remain neutral.
to follow the 1925 UK shift from a tax-financed to a contribution-financed public pension scheme. However, the influence of the agrarian (National) party has probably been less in Australia than in the Scandinavian countries, because the Australian National party has to a larger extent portrayed itself as a non-Labor rather than as a "centre" party. By positioning themselves as "centre" parties, the small agrarian parties of the Scandinavian countries - through their control of the crossover vote - have often been able to "sell" their support to whichever of the major parties that has offered most policy concessions in return, thus granting these parties a much larger political impact than their size would suggest. Cf. the old saying: "In politics, as in marriage, the power belongs to the partner who has another option".

Finally, it is worth noticing that the internal Scandinavian division is manifest also at the earliest stage of their pension-political development. Denmark, Iceland and (to a lesser extent) Norway share the Australian experience of starting out with wholly tax-based, means-tested minimum protection systems, while Sweden and Finland initially relied somewhat more heavily on a German-style contributory principle. Thus alongside a common trend towards dual systems, and institutional differences due to having been dominated by different political elites, we may perhaps also detect a long-term impact of the initial choice of institutional design. The initial institutional set-up, and the underlying "welfare philosophies" which went with it, may have impacted on the cognitive outlook of the players in later (pension) political games. The early institutional designs may have framed later pension-political games somewhat differently, by providing different "definitions of the initial situation" new elites were issued into, and consequently tended to take as "natural" points of reference, in their search for solutions to new (emerging) demands from their electorates. How long and to what extent these "long shadows of the past" will still be with us in the presumably ever-more turbulent waters of an ever-more competitive international marketplace, remains to be seen.

58. Also notice in this context that Norway and Iceland were ruled by the Danish king till 1814 (Norway) and 1946 (Iceland). Norway then came under the Swedish crown till 1905. Further, Iceland was ruled by Sweden until 1809, when it became a Grand Duchy of Russia until independence in 1917. Thus Iceland's elites have had particularly close ties to Denmark and Finnish elites to Sweden, while Norway has had close ties to both of these older Scandinavian nation states.

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