

How have the Nordic welfare states responded to the unexpected increase in inflation?

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Abstract

Rising inflation in the Nordic societies has changed the living standards for many families. The situation differs not only between the four Nordic countries analysed, but even within each of the Nordic countries. The needs for intervention have varied. Several elements has been used to determine who is facing the most risks. This article shows how to combine automatic stabilisers with temporary policy interventions to deal with increased inflation in general or specific sub-elements (such as oil, natural gas).

Focus is on the degree of, and criteria for targeting. Possible distributional consequences of the adopted measures will be discussed. Lastly, the article considers whether the observed responses to the crisis have implications for the understanding of the Nordic welfare state model. The article investigates institutional, political, and economic reasons for the variations in the interventions.

The article concludes that in managing the crisis, the Nordic countries have adopted stronger targeting towards those considered to be in need, displaying some innovations in their social policy approach. Yet, one can trace a high degree of path-dependency, with the countries adhering to universalist principles, with an aim of redistributing resources.

Key words: Nordic welfare states, automatic stabilisers, targeting, path-dependency, inequality.

Introduction

Inflation, after being a minor problem for many years, is now a critical issue in Nordic welfare states. It particularly affects the living conditions of people who already had difficulties making ends meet, including people who have to rely on public income transfers. Yet, due to the uneven distribution of inflation over different consumer items, other groups can also be affected, such as those relying on specific types of heating. Hence, there are critical welfare costs associated with inflation (Sinn 1999). It affects people's living conditions, quality of life, and happiness (Blanchflower et al. 2014), even if the effects might differ depending on the risk-aversion in different households (Curran and Dressler 2020).

Moreover, inflation has an impact on the wealth distribution, the level of income inequality (Bulíř 2001), and redistributes between generations, favouring young middle-class households with mortgages (Doepke and Schneider 2006). Overall, it is the unexpected inflation, as the current one, that has the largest impact on people's welfare. Given the recent recovery from the extended COVID-19 pandemic, and generally rising income inequalities in Nordic countries in recent years (Søgaard, 2018), it is important to examine how the Nordic welfare states have buffered people's welfare over the past year in response to the sudden rising inflation.

This article therefore examines how changes in welfare policies adopted in 2021-2022 to alleviate the inflation crisis are likely to impact citizens' living standards in the Nordic welfare states. In recent decades, Nordic countries have seen growing inequalities, and in some policy areas eligibility

conditions were tightened and benefit levels reduced (Blyth, 2013; Jessop, 2022; Alm et al, 2020), for instance with respect to unemployment benefits and activation efforts. Yet, compared to other groups of countries dealt with in this themed issue, the Nordic countries can still be characterized by their relatively universal and generous welfare benefits, and high levels of equality (Van Gerven 2022; Kangas and Kvist 2019; Greve 2019).

A priori, the need for far-reaching policy intervention is unanticipated in the Nordic countries, as their welfare systems have incorporated automatic stabilizers. As we will discuss in this article, benefits are indexed in line with changes in prices and/or wages depending on the type of benefit and with variations across countries, albeit often with a time lag. Therefore, the first research question to be addressed is why was change needed? The second question pertains to how changes were implemented (e.g. whether new provisions were provided as single lump-sum income transfers or longer spells of support)? The third question revolves around whether the changes imply new approaches to social policy than the ones usually considered part of universal welfare states? Hence, we assess the developments along Hall's (1993) conception of degrees of policy changes.

Leaning on the larger theoretical discussion of how to assess the impact of the crisis on welfare states that can be found in the article by Béland et al. in this themed section, we briefly explicate this approach in the section on methodological and analytical approach. We then examine price development to answer the first question. Next, a comparative analysis of Nordic interventions in the inflation crisis is provided to answer the second question. Finally, to answer the third question, we provide a discussion of the reasons for change and whether they imply that there has been a deviation from the historical path. First, we provide some background in order to contextualise the study.

Background

A number of characteristics of the Nordic countries are important to contextualize the impact of inflation and policy adjustments. First, the Nordic countries have a corporatist tradition of trade unions taking into consideration the profitability of the businesses. Their restrained wage demands during times of crisis is likely to slightly curb inflationary pressure (Cappelen, 2018; Barth et al. 2014). Second, and to some extent with the opposite effect, there is a political commitment to a high level of employment that encourages the Central Bank to be somewhat cautious with inflation-fighting measures (*E24*, Oct-21-2022, OECD 2022). Third, raising the interest rate to fight inflation has a particularly hard knock-on effect on some Nordic households due to their high indebtedness (a feature that is attributed to relatively generous welfare systems, cf. Comelli, 2021). Fourth, the Nordic welfare states stand out by having systems of taxes and transfers exhibiting the strongest automatic stabilisers in Europe (Dolls et al. 2011). Like many others, the Nordic countries update welfare benefit levels through the mechanism of annual indexation. Historically, this has been motivated by arguments ranging from ensuring a stable income development for benefit recipients to the aim of removing the options for changing benefit levels from the political agenda – hereby avoiding “the temptation to increase benefits during election years” (Weaver 2010, 7). However, indexation can be a slow-working mechanism in times of unexpected inflation, resulting in a real decline in living standards, at least shortly. Lastly, economic support can have unintended consequences, for instance, if the economic support itself contributes to a continued higher level of inflation or reduces the incentive to save on energy consumption.¹

For understanding responses to the inflation crisis, it is important to be aware of the way in which social benefits are adapted to increasing prices, something that varies widely across the Nordic

countries². In many areas there is a relationship with the development in wages, but with a time delay, and there are exceptions to whether it is a full regulation based on the wage development or whether the change in benefit is reduced in different ways. Examples of such exceptions include the index for costs of living for certain benefits in Finland³ and regulation depending on decisions in parliament in Sweden. In Sweden, regulation according to the price index dominates. In Norway, several aspects are subject to regulation based on price developments. Even if it in principle is related to wage income, there might be a deduction which earlier was the case with unemployment benefits in Denmark. This means that the benefits develop slower than the change in wage income.⁴

In all countries, the regulation is backward-looking, which means that in periods of strong and unexpected inflation recipients of income transfers will experience a decline in their purchasing power. For a long period, indexation of benefits based on prices has resulted in hollowing-out of the benefits compared to wages that were rising faster than prices (and thus benefit levels were effectively reduced relative to common standards of living). Now, however, it may take a while for wages to adapt to the price increases, which means that indexation of benefit levels based on prices might result (at least for a while) in benefit levels catching up with living standards. Thus, when the countries go from periods of high inflation and wage increases to lower levels, there will be an overcompensation. Still, indexation of benefits implies a change in the level and generosity of benefits, which are exaggerated in present times. It is against this backdrop that one should assess the policy interventions adopted in 2021-2022.

Methodological and analytical approach

The analysis in this article focuses on four large Nordic welfare states, Denmark, Finland, Norway and Sweden, based on the perception that they can be expected to adopt the same approach. We will use policy documents from the individual countries combined with secondary data describing consequences in relation to who is affected by the changes in inflation. Given the recency of these developments and immediacy of this research, the focus will be on the immediate, short-term impacts, and limited to policy decisions taken in 2021-2022.

The emphasis is on changes in existing types of benefits and duties, and the possible emergence of new types of welfare benefits to private persons or households. Policies towards the business sector are thus not central in the analysis. Indirect support, such as setting limits to rents, is presented as part of the analysis, as this may indicate the breath of measures adopted beyond traditional welfare benefits. This form of indirect support also includes changes in the tax-system such as lowering levels of duties on heating and electricity.

We focus on policy changes following Hall's (1993) understanding. In this framework, first-order changes are incremental adjustments and fine-tunings of existing policies. Second-order changes involve the development of new policy instruments, which Hall has described such changes as 'normal policymaking' that 'adjusts policy without challenging the overall terms of a given policy paradigm' (Hall, 1993 p.279). Third-order changes imply changing the hierarchy of goals behind the policies, i.e. a paradigm shift.

Country differences in price developments and funding of government measures

Table 1 shows developments in prices from October 2021 to October 2022 to illustrate core issues related to where inflation has been high as well as differences across the Nordic countries. The specific impact of increases in prices for electricity, gas and other fuels, far exceeds overall inflation. We observe notable country differences. Overall inflation is highest in Denmark, and this is directly related to the rise in energy prices, which also is considerable higher here than in the other Nordic countries. While Denmark is approximately at the EU average, we note that the inflation crisis has been relatively less severe in the other Nordic countries. This variation in overall level among the Nordic countries, as well as the variation concerning which sub-elements saw the highest increase, is a possible reason for national difference in policy changes. The impact of this variation in price development on various goods and services depends on households' specific conditions, particularly housing situations, e.g., old/new, energy renovated or not, type of heating (natural gas, electricity, district heating).

Table 1. Development in prices in four Nordic countries and the EU from October 2021 to October 2022 (Annual rate of change)

items	All	Food and non- alcoholic beverages	Housing, water, electricity, gas and other fuels	Electricity, gas and other fuels
EU	11.5	17.3	23.2	53.9
Denmark	11.4	15.7	23.2	66.7
Finland	8.4	15.7	10.8	32.4
Norway	8.4	13.1	13.7	27.1
Sweden	9.8	17.6	11.0	23.9

Source: Eurostat, PRC_HICP_MANR, accessed the 18th of November 2022, [Statistics Eurostat](#).

In 2022, the Nordic countries experienced a decline in real wages, with Finland seeing a decrease of 1.1%, Denmark experiencing a decrease of 1.4%, Norway a decrease of 1.1–1.7% (depending on sector), and Sweden seeing the largest decrease at 2.4% (Statista 2023; Norwegian Government 2023).

Those who rely on benefits or have low incomes will face greater challenges in adapting to price changes as they tend to spend larger shares of their income on food and heating. Thus, an issue has been how to support those most affected by the change. An overview of national strategies in this regard is depicted in Table 2. It shows the overall funding allocated for policies to shield consumers against rising energy prices.

Table 2. Governments' allocated funding in response to energy crisis, Sept. 2021 – Oct. 2022.

	Allocated funding in bill. Euro	% of GDP
Denmark	6.8	2.0
Finland	1.1	0.4
Norway	4.6	1.1
Sweden	1.6	0.3

Note: The amounts do not include liquidity support for individuals or companies. Source: <https://www.bruegel.org/dataset/national-policies-shield-consumers-rising-energy-prices>, accessed the 31st of October 2022.

The noticeable variation in allocated funding, as shown in Table 2, will be discussed later in the

article. The trend in policy response generally corresponds to the trend in need. Hence, the higher increase in spending on policy response in Denmark and Norway, may reflect the higher surge in housing and energy price (as displayed in Table 1) in these countries, compared with Sweden and Finland.⁵

Comparisons of interventions

This section provides a comparison of the types of interventions carried out in the four Nordic countries in response to rising prices. The intention is to examine differences and similarities in the interventions. Due to the length of the article, we only focus on the central changes brought about in the four countries.

The Danish, social democratic government with broad political agreements implemented several interventions specifically to cope with the rising energy prices, in the context of a higher increase in energy prices than in most other EU member states⁶. These varied interventions, mainly as lump sums, were an attempt to target the support to those most in need. However, it proved to be very difficult as the situation is very diverse with respect to type of heating, energy consumption, and because of differences in housing standard. Private rents were changed in line with the overall consumer price index, which implied a strong increase in rent in private accommodation (see Table 1 above). The parliament decided a cap on a possible increase with the argument that the increase in the consumer price index was influenced by costs other than the increased costs of the owners of the private flats.⁷ A reduction in the duties on electricity, not only supporting-low income groups, was also decided for the first 6 months of 2023.

In Finland, to compensate households for the rising electricity prices, the left-green-centre Government outlined in September 2022 a number of measures with an estimated cost of 112 million euro in its budget proposal for 2023 (Ministry of interior 2022). The value-added tax rate on electricity was reduced from 24 to 10 per cent between 1 December 2022 and 30 April 2023. Furthermore, the government announced a fixed-term tax credit for electricity (for middle and high-income households with soaring electric bills of 500-1500 euro/month) and a new fixed-term financial support for electricity for low-income households not able to benefit from the tax deduction. Additionally, a supplemental child benefit instalment was introduced for families with children for the month of December 2022. To meet the needs of commuters and transport businesses, the value-added tax on trains, busses, taxis and flights was removed from January to April 2023.

In Norway the Centre-Left government introduced subsidies for household electricity consumption already in January 2022⁸, paying 80 % (later increased to 90 %) of the part of the electricity bill that exceeds NOK 0.70 per kilowatt hour (Sgaravatti, Tagliapietra and Zachmann, 2022). In addition, the tax on electricity has been reduced during the winter season (Norwegian Government, 2021). As the level of energy consumption largely follows income level, the distributive effect of these interventions favours high-income households, albeit still also important relatively to income for low-income families. To target low-income households, extraordinary support in the form of a heat-cheque has been paid out to the very select group of recipients of the means-tested housing allowance (residing in Southern Norway, where electricity prices have been highest). However, the substantial proportion in the target group also receiving means-tested social assistance saw this extra support being deducted from their social assistance payment (*Nationen*, Nov-10-2021)⁹. With rental costs having risen at an even higher rate than the general price developments low-income groups in such accommodation, have seen economic hardship in recent years (Bredvold and Inderberg, 2022).

Energy prices increased less in Sweden than in the other Nordic countries studied here, but overall inflation was still higher than in Finland and Norway (Table 1). Increased interest rates have contributed – combined with the inflation – to the (sense of) insecurity and concern in the Swedish public, with consumer confidence being at a long-term low.¹⁰ An increase in the interest rate directly affects what households spend on accommodation each month (from already high levels). If wages do not keep up, the purchasing power of workers decreases. Additionally, and similar to the welfare responses in other Nordic countries, the public debate and proposed policy measures in Sweden targeted the rising energy and fuel prices. An electricity price compensation was implemented already during the winter of 2021-2022 that gave households a maximum compensation of approximately 184 EURO/month (i.e., 532 EURO in total). Since the size of compensation was based upon electricity consumption, the largest compensation went to the benefit of rural households and those living in a large house. Several other fuel and electricity policies were proposed during the summer of 2022, however, as Sweden had an election in September, and the government changed, much of the policy implementation was postponed to 2023. A minor tax-reduction on fuel costs has also been proposed.

Comparison of types of interventions

This section provides a comparative analysis of policy changes focusing on whether they are related to prices (product or tax-system), securing income (benefits and tax and duties) or securing consumption.

	Denmark	Finland	Norway	Sweden
Product Market Regulatory System (prices)	<p>Loan Schemes to spread energy payment</p> <p>Cap on increase in rent</p> <p>Support to energy saving investment and reducing use of natural gas</p>	<p>Guarantee/loan for large energy companies</p>	<p>Support to energy saving investment</p> <p>Loan guarantees and a subsidy scheme for ‘energy exposed’ businesses</p>	<p>Electricity price compensation – 3 months in winter 2021/2022, and new measure postponed to 2023.</p> <p>Loan to energy companies to facilitate extended instalment plans for customers.</p>
Tax System (prices)	<p>Reduced duty on electricity</p>	<p>Reduced VAT on electricity</p> <p>Temporary removal of VAT for electricity and passenger transport</p> <p>Extension of tax deduction for migrating from oil heating to more sustainable energy</p>	<p>Reduced VAT on electricity</p>	<p>Reduced VAT on petrol and diesel (household use).</p> <p>Reduced VAT on diesel in specific sectors – agriculture, forestry and aquaculture.</p> <p>Paused indexation on petrol and diesel during 2022.</p>

Table 3. Interventions in the four Nordic countries in relation to the rise in prices in 2022

Source: See Table 2, and national information.

Table 3 shows interventions in relation to the rise in prices. The table shows a remarkable similarity in the type of interventions adopted in the countries. It should be expected that, in particular, the reduced duties will be shortlived, whereas the support to investment to save energy in the future will have a longer lasting impact. The main deviation is the cap on rent in Denmark, which is not paralleled in the other countries. Loan schemes and paused indexation on petrol and diesel in Sweden can be

argued to represent a new way to deal with an inflation crisis. These types of changes reflect a universal approach benefitting a large number of citizens, including also persons with higher levels of income.

Table 4. Changes in benefit and tax systems related to securing income

	Denmark	Finland	Norway	Sweden
Benefit System (securing income)	Lump sum payment to pensioners, students and others outside the labour market	Additional index increase for (basic) benefit levels to basic benefits, national pensions (2022) and students (2023) Additional child benefit instalment in December	Extra grants for students Extra grants for recipients of housing allowance	Increase of guaranteed pension. Indexation of social assistance/insurance system. The increased unemployment benefit (<i>a-kassa</i>) during covid-19 now made permanent.
Tax System (securing income)	Higher employment allowances	Tax deduction for high energy bills (500-1500 e/month)		

Source: See Table 2, and national information.

Table 4 shows elements that have changed within the welfare systems. Again, the approach taken in all four countries has strong characteristics of universalism, but here are also some interventions that direct more money to groups in societies often construed as “deserving”, such as the elderly and families with children, as well as students. However, we also note that some of the interventions in the tax-system may run counter to the ideal of redistribution, as tax deductions also benefit higher income groups. Likewise, the increase in employment allowances, as we see in Denmark, only

benefits those who have a job.

The Nordic countries do not have statutory minimum wages, in contrast to most OECD countries¹ and thus no automatic increase in income for those with the lowest income in the countries. However, through collective agreements in reality there are minimum wages, which typically are adjusted when having wage negotiations.

Table 5 Support to secure consumption

	Denmark	Finland	Norway	Sweden
Welfare System (Securing consumption)	Heat-cheques to most impacted households	A new temporary financial support scheme for very low-income households with high energy bills Increased norms for heating and electricity in housing benefit and social assistance	Subsidy for household's electricity consumption Heat-cheques for recipients of the means-tested housing allowance	Additional housing allowance for families with children.

Source: See Table 2 and national sources.

In Table 5, instruments are shown that can influence consumption and that have been used in the Nordic countries. The table indicates that besides the classical instruments of higher levels of social security benefits, the Nordic countries have also tried to make a stronger targeting in the wake of the specific increase in energy prices. Although it is a limited measure, it can be interpreted as a deviation from the universal approach and a more targeted way to reach the most vulnerable groups in societies.

¹ <https://t4.oecd.org/employment/Minimum-wages-in-times-of-rising-inflation.pdf>, accessed the 22nd December 2022.

Reasons behind the changes – and why variation

Across the Nordic countries, the sudden and high increase in inflation was particularly difficult to cope with for low income groups, as the benefit indexation systems in place were not geared to provide sufficient compensation. Waiting until the indexation mechanism would kick in would imply a high risk of seeing more people living at risk of poverty, potentially causing severe social exclusion such as homelessness. Anticipating the yearly indexation to follow, policy makers opted for one-off payments to address the acute situation, rather than increasing the general level of benefits. Hence, to answer our first question, the need for interventions seems to be due to the fact that the sudden and high inflation had a disproportionate impact on low income groups, who were not adequately compensated by existing benefit indexation systems. The interventions aimed to mitigate the negative effects of the price increase and support those most affected by it.

The interventions align with the traditional Nordic welfare model, which aims to counter poverty and social exclusion (Fridberg and Kangas, 2008). However, additional eligibility criteria were introduced to ensure that benefits were targeted towards those most affected by the sudden increase in energy prices. The objective was to maintain a high degree of equality and reasonable living standards for all, particularly for low-income households who were most vulnerable to the impact of the price increase. The measures of support to those presumably most hit by the crisis in each of the Nordic countries, as discussed in relation to Tables 3 and 4, thus represent a form of path-dependency.

Next, we consider our second question on how the changes were implemented. With respect to benefits, changes have been quite similar across the countries and households with low incomes

appear as having been especially favoured. The picture is, however, more varied related to reductions in energy taxes as this has also implied that the middle- and higher-income groups have benefitted from the changes. In a way, this seemingly resembles the old debate on supporting the middle class as a way to ensure support for welfare interventions (Gugushvili & Laenen, 2021; Korpi & Palme, 1998). Thus, even if following in the tradition of trying to ensure a high degree of equality including income transfers to those most in need, the interventions have also benefitted the middle class.

As regards the third question, a likely reason for continuing on the historical path, is the long history of development of the Nordic welfare states. Nevertheless, there have been general elections in both Sweden and Denmark in 2022 (and in Finland in 2023) and the economic situation and pressure on low-income families has been on the agenda. Parties thus have made electoral promises to help low-income families with the consequences of rising energy prices and inflation in general. Hence, differences in electoral support, for instance with regards to who is seen as deserving, might also be one of the reasons for the decided type of changes. It has been argued that in Europe there has been a rebalancing of support across generational issues (Riekhoff 2021, Birnbaum et al., 2017), while there is still high legitimacy for a strong support towards the elderly.

A clash between different ends has overall most likely reduced the magnitude of policy interventions as there is a risk of prolonging the inflationary crisis if providing more money from the welfare state than having financed, even if the money is available. This dilemma has been reflected in the political debates, while at the same time not being a sufficiently strong argument for resisting increasing support. Furthermore, the interventions are likely to have been spurred by the need to reduce the risk of growing levels of unemployment as without economic support the overall demand might have been reduced too strongly.

The increase in energy prices has also implied, in line with traditional economic understanding, an incentive to save on energy and thereby supported the environmentally friendly development. Hence, the conflict between reducing CO₂ and supporting low-income households has manifested itself during the crisis. Overall, there have been some new elements in the Nordic countries line of policy, such as a stronger attempt to support those most affected by change in energy prices, exemplified by the new criterion for receiving benefits and a cap on rent. Such new elements can be interpreted as a second-order change in Halls understanding given that the new elements (lump-sum benefits, cap on rents, change in duties) are part of a process of changing the welfare states, albeit without changing the core paradigmatic issues of the Nordic welfare states.

Lastly, judging on the basis of the interventions adopted so far, there does not seem to be a different perception across Nordic welfare states as regards who is in need. Changes in the duties on electricity is not only seen as a way of supporting low-income families, but also companies, i.e. branches where the energy costs have increased the risk of bankruptcy (such as bakers, supermarkets, butchers etc).

Concluding remarks

Overall, the Nordic welfare states' interventions to alleviate the cost-of-living crisis have to an important extent been designed to reach low-income groups. This is particularly apparent in the way lump-sum payments have been implemented. Yet, lowering of VAT/duties on electricity tends in absolute terms to be more important for middle- and high-income earners, albeit, in relative terms, very important for low-income households. The rationale for the Nordic countries' strategies of also accommodating the interests of the middle-class is in line with Korpi & Palme's (1998) argument that 'bribing' this group can be important to ensure their support towards interventions to help those

most in need. Thus, further underlining the caveat that some measures benefit higher income groups more (in absolute terms) because of their consumption patterns, and that there are cases where means-tested benefits crowded back energy subsidies targeted at the poor. Nevertheless, this again supports that there has been a high degree of path-dependency in protecting those seen as most in need.

However, also new elements were introduced that are outside the tradition of income transfers in the Nordic countries, such as one-off benefits, caps on rents, reductions in duties on electricity and certain types of fuel, and rights to loans with a state guarantee to pay later. The introduction of these new elements can be considered as a second-order change in Halls framework, but not a third-order change as the overall paradigm of protecting protect the most vulnerable remained strong. Nevertheless, the introduction of these new elements suggests that strong changes in the societal conditions can pave the way for innovation in the way welfare states interact with new market conditions and thereby impact on the overall type of living conditions in new ways without paradigmatic changes in the approach.

The policy interventions and changes further indicate that despite indexation still being important, also in their function as automatic stabilisers, the way they are constructed now renders them less useful to cope with sudden and substantial changes in specific elements included in the way price indices are measured. This limitation is due to energy prices exerting only a limited impact on the overall price index, while having a crucial significance, alongside food prices, for low-income families. The indexation-mechanism is further limited due to the fact that the impact of changes will first take place with some time delay. Still, the changes and responses have been balancing the need for support especially to low-income groups at risk of continued inflationary pressure, seemingly a reason why there have not been strong permanent changes in the welfare state systems.

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¹ The issue of whether support to vulnerable groups implies a risk of a continuation of a high level of inflation due to that demand is kept higher than it would otherwise be, is outside the scope of this article. This albeit, the risk of this as an issue related to the size of the benefits, and, the ambition to reduce energy use is clearly an issue (OECD Economic Outlook, Interim Report September 2022 2022).

² This section is mainly based upon : Missoc, accessed the 23rd September 2022.

³ In Finland, most social security benefits are annually indexed to prices, whereas earnings-related pensions are indexed to prices and wages. The government can also raise benefits with a decision as was done in 2022 to compensate the sharp increase in prices

⁴ However, this is not always the case as examples from Sweden show that the price-base amount (which guides a majority of all social benefits, except unemployment insurance) will increase with 8% from the beginning of 2023. As comparison the social partners in Sweden have also agreed upon a wage increase of 4.1% in 2023 and 3.3% in 2024 (which is described as a historically large increase), which nonetheless is not enough to meet the predicted fall in real-wages.

⁵ The economic impact could have been explored in more detail, however given the overall strong economic position of the Nordic welfare states this is left out of scope.

⁶ [Electricity and gas prices in the first half of 2022 - Products Eurostat News - Eurostat \(europa.eu\)](#), accessed the 1st of November 2022

⁷ An presumably unintended consequence hereof has been that many pension funds saw lower revenues, because they owned many properties including private flats.

⁸ Only pertaining to peoples' primary residence.

⁹ I should be noted that recipients of social assistance would have their heating costs covered by the local authorities in the first place. Indeed, the Norwegian government extraordinarily increased the block grant for the municipalities with NOK 300 million to compensate for the increased expenses municipalities have, when covering such heightened heating costs.

¹⁰ The connection between the interest rates and people's interest rates on mortgages has extensive significance in Sweden, as 60% own their apartment or house (Statistics Sweden, 2022), After the Danes, Swedes are the most indebted population in Europe (Statistics Sweden, 2020), and Swedish mortgages tend to have flexible interest rates to a much larger extent than many other countries. In response, the housing market has recently declined, particularly in larger cities (Svensk Mäklarstatistik, 2022).