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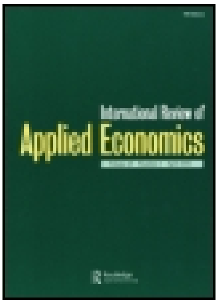

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The Net Social Wage in Greece 1958–95

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ABSTRACT *The object of this paper is to assess the net distributive impact of state expenditures and revenues on labour income in Greece for the 1958–95 period. This effect is measured by the net social wage defined as the difference between the total benefits received by labour from state spending and the labour taxes. We also discuss certain issues related to the empirical methodology employed in the present and similar studies and the way its inconsistent use has affected inter-country comparisons of the net social wage in the literature. Our empirical findings for Greece indicate that for the entire period no redistribution of income in favour of labour has taken place via the actions of the state. The average net social wage is very close to zero even though during the last decade we observe an increasing involvement of the state in the reproduction of labour. The positive net social wage of the few recent years coincided with high public deficits and appears to be a result of slow growth, high unemployment rates and compensation for the adverse developments for labour in the market distribution of income.*

1. Introduction

The aim of this paper will be the examination of the redistributive role of the state with respect to the income of labour in Greece. Even though the rapid growth of the public sector in capitalist economies has subsided during the last two decades, researchers continue to investigate the effects of state intervention on the different facets of the economic process. Issues related to the income distribution process, an important subject of political economy traditionally, have attracted considerable attention recently (Gottschalk *et al.*, 1997; OECD, 1995). This is mostly due to the experience of increasing income inequalities and the persistence of poverty in most advanced economies.[1] The measurement of the state budget effect on the personal and functional or class income distribution figures prominently in this literature. Here, we try to isolate and estimate the direct effect of state expenditures and revenues on the class distribution of income in Greece using the concept of the net social wage (see Shaikh & Tonak, 2000; Miller, 1989). This is the net transfer between workers and the state and it is defined as the difference between the total benefits that labour (defined in a broad sense as wage and salary earners) receives

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Table 1. State expenditures and revenues as a share of GDP, selected years, Greece, and EU.

	Public consumption		Social security transfers		Public current expenditures*		Public revenues	
Year	Greece	EU15	Greece	EU15	Greece	EU15	Greece	EU15
1960	8.3	13.7	5.3	9.7	17.4	27.4	21.1	31.2
1968	9.1	15.2	8.4	12.4	23.5	32.4	27.3	35.8
1974	9.8	16.8	7.1	13.3	25.0	35.6	27.0	37.7
1980	16.4	18.5	9.2	16.1	30.3	41.2	30.5	40.7
1990	15.3	18.5	15.2	17.1	49.6	44.4	36.8	43.7
1995	15.5	18.8	16.9	20.2	52.1	47.9	45.0	44.9

* Public current expenditures consist of consumption, social security transfers, interest on public debt, and subsidies.
Source: OECD Historical Statistics 1960–97, Paris, 1999.

from the state and the total taxes it pays each year. We calculate the net social wage and its constituent elements for the 1958–95 period, and we discuss the relationship between this measure and economic variables that could explain its level, trend and fluctuations such as the unemployment rate, public deficits, welfare spending, labour strength and economic growth. The period of estimation includes four distinct stages characterised by different political regimes and different conditions of capital accumulation and economic growth.

In trying to explore the above questions we hope to provide some information on the redistributive aspect of the economic role of the state, in countries like Greece that do not belong to the group of the few most advanced economies in the world. These empirical findings could be useful in illuminating the complex ways in which the functions of the state, class struggle, economic and social reproduction, distribution and crisis are intertwined in a capitalist economy. We also discuss in detail some aspects of the empirical methodology employed in order to calculate the state redistributive effect and the net social wage in particular. In this context, we point out some inconsistencies in the recent empirical literature on inter-country comparisons of the net social wage and the evaluation of the distributive performance of different welfare states vis-à-vis labour.

2. Welfare State Inequality and the Social Wage

The extensive involvement of the state in the economy of capitalist countries during the post-war period has been well documented. Greece was no exception to this trend even though the rapid growth in state revenues and expenditures occurred during the period of the slowdown in public sector growth in advanced economies. In similar fashion with all other countries, the growth of public expenditure was most pronounced in the area of social security transfers while public consumption, the other main source of labour benefits derived from state spending, also increased considerably (see Table 1).

Those developments have given rise to the notion that aside from its traditional functions, the state in advanced capitalism has acquired a new distinct aspect, described by the term welfare state. The examination of the redistributive role of the state vis-à-vis labour income helps in assessing the accuracy of this term[2] since it is often associated with the explicit or implicit claim that fiscal policy redistributes income towards labour. Evaluating the state effect on distribution is important in another aspect. In discussing the causes and consequences of the increased state role and the expansion of the welfare state in particular,[3] each one of the different possible causes of the growth in the public sector is associated with specific distributive effects. For example, when the extensive involvement of the state in the area of social policy is regarded as a product of pressure by trade unions and leftist parties, it is more likely that it implements 'vertical' redistribution in favour of the working class. Alternatively, when demographic changes are regarded as the cause of the growth in public spending and taxation it is possible that fiscal policy creates only 'horizontal' or intergenerational redistribution (from active labourers to the unemployed and the retired labourers), whereas if state growth has been caused by changes in the functional needs for the reproduction of the capital relation (including the reproduction of labour power) the distributive result may well be a neutral or even negative net fiscal position for labour.

Redistribution of income in favour of a social class and/or in an egalitarian direction is an often-discussed effect of the welfare state. In the mainstream literature the relationship between welfare spending, taxes and income inequality is important in so far as it affects individual behaviour and in turn productivity and economic performance. In the radical literature, the extent of personal income inequality along with the direction and extent of the direct state impact on the standard of living of labour (i.e. the sign and size of the 'social wage') and the class distribution of income have attracted a lot of interest.

2.1. Mainstream Literature on the Welfare State Inequality and Growth

The mainstream literature is primarily concerned with the effects of taxes and social spending on saving, investment in physical and human capital, job search, unemployment duration and supply of labour, and to a much lesser extent on the profile of the personal income distribution. Thus, income redistribution among different income groups through fiscal policies is important, not so much in its own right, but because it influences decisions of economic agents to work, save and invest.[4] On the one hand, the development of the welfare state is believed to result in increased labour productivity, improved social coherence, increased female labour force participation, expansion of the tax base, etc (Lindbeck, 1995, p. 9). Those trends, along with lower unemployment rates and reduced poverty that usually accompany heavy social spending are considered as the positive effects of the welfare state. On the other hand, possible negative effects include tax distortions and disincentive effects on labour supply, as high taxes and generous welfare benefits induce lengthier job search and work absenteeism, welfare dependency and benefit cheating, early retirement, lower rates of saving and physical stock formation (Lindbeck, 1995, p. 11; Rosen, 1996, p. 730; Lindbeck, 1997, p. 1298).

When dealing with the income redistribution question per se and the changes in inequality brought by public revenues and expenditures, mainstream studies focus exclusively on transfers among household income groups. In this way, the class structure of the household sector, namely the categorisation of households and the assessment of the state impact according to their income source (wage income or property income) as opposed to the classification according to their income size is not taken into account. In this context therefore, any observed redistribution via fiscal policy does not necessarily imply that transfers of income from one social class to another have occurred.[5] In any case, egalitarian changes in the personal distribution of income are usually considered to be detrimental to both productive effort (productivity and output) and the development of skills on the part of individuals (investment in human capital) since they are implemented by policies 'that do not protect property rights and do not allow full private appropriation of returns from investment' (Persson & Tabellini, 1994, p. 617). The majority of mainstream economists regard welfare state activity that results in a more egalitarian income distribution as a cause of inferior economic performance. Those arguments use mostly the example of the Swedish case, taking the form that, at some point, excessive welfare state growth led to sub par economic performance (Freeman, 1995, p. 18; Lindbeck, 1997, p. 1284). More generally, Alesina & Rodrik (1994) and Persson & Tabellini (1994) have argued theoretically and empirically that inequality is harmful for growth in the sense that initial situations of extreme inequality result in redistributive policies that subsequently hamper economic growth. Korpi (2000) has challenged those claims for the case of Sweden on empirical grounds[6] and other theorists have been sceptical about both its theoretical and empirical validity. Atkinson (1995) in particular claims that aggregate cross-country empirical evidence for the impact of welfare state size on economic performance is inconclusive. The difference between Korpi and Atkinson and the majority of mainstream economists is that they do not necessarily regard the size of the welfare state as a negative factor for growth, but all authors implicitly or explicitly take as given that the welfare state effect is egalitarian. However, even if the welfare state effect is egalitarian, as noted above greater post-fiscal equality relative to the market distribution of personal income does not necessarily imply a net subsidisation of labour income by the state.

For non-mainstream economists, inequality of income is important in itself as a desirable outcome of state action.[7] But even though the size and trend of inequality in the household income distribution are important issues, they do not address directly the relation between the fiscal structure and labour income and standard of living. Reductions in household income inequality may be quite consistent with a neutral or even negative net fiscal position of labour and vice versa. That is, a decrease in overall income inequality may be a result of horizontal redistribution within the ranks of labour as a whole through taxes and state transfers, while top income earners may end up being worse off by subsidising certain functions of the state, but not labour. On the contrary, an increase in overall income inequality may be accompanied by a net subsidy from the state to labour that tempers a larger inequality increase at the market level. The relationship between fiscal policies and labour income is discussed explicitly in the radical literature concerning the effects of the welfare state on the standard of living of labour and the distribution of income and serves as a complement to the information provided by studies that focus on the personal income distribution.

2.2. The Radical Literature on the Welfare State and the Social Wage

The radical and Marxist literature on the welfare state and the social wage emphasises the effect of social spending and taxes on the income of social classes and especially labour. One can discern three kinds of attitude in the radical literature towards the redistributive effects of the welfare state vis-à-vis labour income.

Initially, the arguments from the radical camp about the state effect on the income of labour were either based on a methodology that did not distinguish adequately between social classes or no kind of empirical evidence supported them. Thus, O'Connor (1973) argued that the state in advanced capitalism is exercising 'tax exploitation' against the working class without providing any empirical backing for this claim. On the contrary, Therborn (1984) stressed the importance of the 'gross social wage', i.e. public benefits and social transfers directed towards the reproduction of the working class, but neglected to discuss the importance of taxes paid by labour. Gough (1979) viewed the development of the welfare state as a product of class struggle and pressure from labour, but he found that the UK state is taxing more than it gives back in the form of monetary transfers and social consumption. Gough's estimate, however, refers to the net transfer between the state and the total household sector and might not be an accurate description of the actual net fiscal position of the working class.

A second set includes radical and Marxist authors who have concentrated on the effect of the welfare state on the income of the working class and its concurrent effects on capital profitability and economic crisis. Even though the study by Bowles & Gintis (1982) is often cited as the most representative case of the thesis that the growing power of labour in the post-war era resulted in an increasing 'citizen wage' that caused a 'profit-squeeze' and an economic crisis, it was Glyn (1975) who first advanced this argument in the context of the UK economy. Also, O'Connor (1984, p. 93) changed stance regarding the effect of fiscal policies on labour income, and relying on the study of Bowles & Gintis (1982), he argued that the significant growth of the 'social wage' in the US had contributed significantly as one of the causes of the economic crisis at that time.

The third set of Marxist authors is characterised by the use of the methodological framework formulated in Shaikh (1978) and in the critique of Bowles and Gintis' empirical methodology in Tonak (1987) and Shaikh & Tonak (1987). Those studies found that not only there was no 'social wage' for labour in the US but actually there was a net transfer from the working class to the state, i.e. a net tax on labour, for most of the years of the 1952–85 period. Recently, Shaikh & Tonak extended their empirical study to the 1952–97 period, finding that the net transfer between the state and the working class as a percentage of total employee compensation has been, on average, very close to zero, or 0.6% (Shaikh & Tonak, 1994, 2000).[8] Several similar studies have appeared recently, employing Shaikh & Tonak's methodology in the case of other economies, and we do the same here for Greece. Before we refer to the results of these studies we turn to a detailed discussion of the methodology itself and especially a couple of issues that have not been treated in a consistent way in the recent literature.

3. Measuring the Net Social Wage

3.1. General Methodology

In measuring the net social wage we follow closely the methodology developed by Shaikh & Tonak (1987; 1994; 2000). They note 'Our primary focus is on the extent to which the state's involvement in taxation and expenditures serves to redistribute a portion of the nation's surplus product to, or from, the working class. In keeping with our focus on class, we define the category of "working population" as consisting of those members of the population not having ownership of capital as a principal income source. Our task is to assess the impact of government activities on the income and consumption of this population by properly accounting both the expenditures directed toward them and the taxes deducted out of their income stream' (Shaikh & Tonak, 2000, p. 248).

More specifically, if we think of society as consisting only of capital (property owners) and labour[9] (wage and salary earners) the net national income is divided into a labour portion (wages and salaries) and a capital portion (property income). The state modifies this original division as it taxes all market incomes and spends some of those revenues in the form of health and education services, pensions, and unemployment benefits that form part of the overall standard of living of active and retired labourers. The net social wage expresses the way in which the original labour portion is affected by those activities. Therefore, in order to estimate the net impact of state spending and taxation on labour income, we calculate the labour benefit ratio defined as labour benefits received from the state divided by wages and salaries, the labour tax ratio defined as labour taxes divided by wages and salaries, the net social wage, which is defined as labour benefits received from the state minus labour taxes, and the net social wage ratio, which is defined as the net social wage divided by wages and salaries.

It is obvious from the above that there are three crucial issues in measuring the net social wage; the definition of what Shaikh & Tonak call the 'working population' that is used as a proxy for labour or the working class, the estimation of the part of total state expenditures that becomes labour benefits in the form of income (i.e. unemployment benefits, pensions, etc) and consumption (i.e. education, health services, etc) and the estimation of the part of total taxes that is paid by labour.

Working population. Our definition of the working population includes all wage and salary earners and their dependants, as well as the pensioners that used to be wage and salary earners in their economically active life. In effect, this definition of labour includes the persons who currently depend, had depended or will depend, mainly on the sale of their labour power for their reproduction. The net effect of fiscal policies on the market income of this population (i.e. the net social wage) and its magnitude relative to the total wage and salary bill (i.e. the net social wage ratio) serve to describe the state impact on the standard of living of this population. This is exactly the definition of labour adopted in all similar studies (see Shaikh & Tonak, 1994, p. 356, Akram-Lodhi, 1996, p. 181, Sepehri & Chernomas, 1992, p. 75) since they focus on how the state changes the market distribution of net national income between capital and wage-labour. Adopting this definition of labour in the context of the Greek economy means that farmers[10] are excluded from the population on which the redistributive effect of the welfare state is measured. It could be argued that at least a section of the farmer's population should be included in the definition of labour or working class. However, small independent farmers are excluded from the definition of labour in this study for two reasons. The first has to do with the nature of the methodology used which, as noted above, focuses on the distributive struggle between capital and wage-labour and the way the state affects market wages and profits. The second reason for the exclusion of small farmers is a practical one having to do with the lack of sufficient and reliable information for their number during the whole period, their income and other data that would allow us to estimate the portions of state spending that benefit them and the taxes they paid each year. This exclusion makes international comparisons of the net social wage for wage earners more consistent but it should be kept in mind that the overall redistributive effect of fiscal policies in Greece may be somewhat different from the one reported below.

Allocation of state expenditures. National Accounts classify total state expenditures into public consumption expenditures, subsidies, net transfers to households, net transfers abroad, public investment expenditures and interest on the public debt. We can distinguish three groups of state expenditures according to how they relate to labour income and consumption.

Group I includes government spending for transfers and social consumption that are directed toward the whole population, namely health, education, social security and welfare from public consumption expenditures and health and education transfers from the category net transfers to households. In order to determine the portion of those expenditures that becomes labour income and consumption, we multiply them by the proportion of wage and salary earners in the economically active population.

Group II includes state expenditures that are directed exclusively toward labour, subsidising its income and consumption. These include pensions for former wage and salary earners (in order to allow for the sections of the Greek labour force that are not wage and salary earners we subtract from total pensions as given in the National Accounts the pensions paid to farmers,[11] merchants, lawyers, other independent professionals, self-employed and small employers as given in the annual editions of the Social Budget) unemployment allowances, industrial injury allowances, family allowances and transfers to non-profit institutions from the category net transfers to individuals, and housing expenditures from the category public investment.

Group III includes all those state expenditures that cannot be considered labour income or consumption such as public consumption expenditures for general administration, justice, police, defence, which represent costs for the reproduction of the system, and transfers such as war pensions, net transfers abroad, subsidies to firms and interest paid on the public debt that are not directed in any way toward the working population.

The sum of labour benefits derived from state expenditures in Group I and Group II gives us the total labour benefits derived from state spending for each year.

Allocation of total taxes. Total state revenues fall mainly into six categories: personal income taxes, social security contributions, corporate income taxes, property taxes, indirect or consumption taxes and other direct taxes for local government and public funds.

We can also distinguish three groups of taxes according to how they relate to gross labour income. Group I includes taxes that flow entirely out of labour income (total employee compensation and labour pensions) such as personal income taxes paid by wage and salary earners and pensioners[12] and social security contributions. In a symmetrical way with the treatment of pensions above we subtract from total social security taxes as given in the National Accounts the social security contributions paid by merchants, lawyers, farmers, self-employed, small employers and other non-wage and salary earners as given in the Social Budget.

Group II includes taxes that fall on the entire population like direct taxes for local government and other public funds and public monopoly revenues. In order to estimate the portion that is paid by labour we multiply the first category by the share of wage earners and pensioners in total personal income taxes and the second category by the share of total wages in private consumption.

Group III includes taxes that are not paid by labour, such as corporate income taxes that are paid out of profits, property taxes that are paid by wealthy individuals, personal income taxes paid by farmers, merchants, industrialists, independent professionals and rentiers, and indirect or consumption taxes that are assumed here which are paid directly by businesses.

The sum of Group I taxes and the estimated taxes paid by labour from Group II gives us total labour taxes for each year.

Net social wage and net social wage ratio. The difference between total labour benefits received from the state and total taxes paid by labour are the net social wage. This net transfer is the net contribution of the state to the standard of living of labour and it can be positive or negative, in the latter case it is a net tax on labour. It is also useful to express the net social wage as a percentage of some measure of market labour income like total employee compensation. This is the *net social wage ratio* and it indicates the significance of the net impact of the state budget on the market income of labour. It should be noted that this kind of information is not provided by the *transfer ratio* (the ratio of labour taxes over labour benefits), a measure introduced in Tonak (1987) and used widely afterwards especially in inter-country comparisons of the distributive performance of the welfare state in Freeman (1991); Sepehri & Chernomas (1992); Akram-Lodhi (1996).

3.2. The Allocation of 'Welfare' Expenditures and Indirect Taxes

The empirical methodology outlined above has been applied in the literature in a fairly consistent way except for two points, one on the benefit side regarding the allocation of welfare benefits and one on the tax side regarding the incidence of indirect or consumption taxes.

'Welfare' or 'public assistance' expenditures and labour benefits. Initially, Shaikh (1978) and Tonak (1987) distinguished between public assistance expenditures (or 'welfare' as it is called in the US) that support those poor members of the population separated from the labour force, and all other benefits that support employed and temporarily unemployed workers. Thus, they created two different measures for labour benefits and the net transfer, a narrow one strictly for employed and unemployed labourers that excludes welfare spending, and a broader measure of 'welfare-adjusted benefits' and 'welfare-adjusted transfer ratio' for labour as a whole, where welfare expenditures are included in labour benefits. This distinction does not appear in the latter work of Shaikh & Tonak (1987; 1994; 2000) and welfare expenditures are always included in labour benefits. However, the distinction has been maintained in subsequent studies for other countries (see Sepehri & Chernomas, 1992; Fazeli, 1996; Akram-Lodhi, 1996). It should be noted though that 'welfare' or public assistance benefits in countries other than the US are received not only by poor people permanently separated from the labour force but also by low-income workers and pensioners. As a result, 'welfare' benefits are a much greater proportion of total labour benefits in Canada and UK than in the US; from the studies mentioned above we can deduce that in certain years (non-contributory) welfare benefits are 40% of the rest of the benefits received by labour in Canada (Sepehri & Chernomas, 1992, p. 79, table 5) and around 30% in the UK

(Akram-Lodhi, 1996, p. 189, table 8) whereas this percentage is only 12% in the US (Tonak, 1987, p. 63, table 10). This implies that for the first two countries the estimated labour benefits and net transfer that do not include 'welfare' benefits are not strictly comparable with their counterpart in the US since they underestimate the benefits received by employed labour and therefore any international comparisons of this kind should be treated with caution.

In the Greek case it is not possible to isolate in a consistent way those expenditures that are directed toward people separated from the labour force and therefore our estimates of labour benefits and the net social wage always refer to labour as a whole.

Indirect tax incidence. Shaikh & Tonak have clearly stated that their methodology of estimating labour taxes does not include any tax shifting incidence and therefore indirect taxes and especially sales or consumption taxes are not assumed to fall on labour income, they are paid in their entirety by businesses.[13] Only those taxes that flow directly out of gross employee compensation are considered labour taxes and therefore the latter do not include indirect or consumption taxes. A different view has appeared in Freeman (1991, p. 93) who has argued that it is more appropriate to treat 'market price as the price of production plus an arbitrary monetary increment which the state can impose as a result of its special position'. According to this view, the price of production consists of costs and gross profits only, and when consumers buy commodities at market prices they pay more (in the form of a sales tax) than the value they get from those commodities. In this case, at least a part of indirect taxes is assumed to be paid by labourers when they act as consumers.

Regardless of which theoretical approach is more appropriate in estimating labour taxes, it is obvious that inter-country comparisons of welfare state distributive performance should be based on measures that are derived by similar methodologies. Simply put, one cannot compare the net social wage in one country when, in its calculation, consumption taxes are assumed to be paid entirely by businesses with the net social wage in another country where, in the calculation of the net social wage, indirect or consumption taxes are assumed to be paid mostly by labour. However, this is exactly what has been done in two recent studies that we discuss below, where the careless application of the Shaikh & Tonak methodology has led to misleading conclusions regarding the distributive performance of the welfare state in the UK and Canada in comparison with the US welfare state.

3.3. Inter-country Comparisons of the Net Social Wage

Sepehri & Chernomas (1992) estimate the distributive performance of the welfare state in Canada for the 1955–88 period and then they compare it with that of the US state on the basis of the 'welfare-adjusted transfer ratio' in order to 'identify similarities and dissimilarities with respect to state distributive activities vis-à-vis labour' (Sepehri & Chernomas, 1992, p. 82). Even though the authors state that they follow the methodology employed in Tonak (1987) and Shaikh and Tonak (1987), in their study indirect business taxes or consumption taxes (equal to 20.3% of total taxes and 25.5% of total estimated labour taxes in 1986) are assumed to fall on workers according to the share of wages and salaries in total personal income (Sepehri & Chernomas, 1992, p. 74–75) thus lowering significantly the measure of the net transfer from the state to labour in Canada. Mostly due to this inconsistent treatment of indirect tax incidence in the two countries, the level and trend of the transfer ratio in Canada and the US (the latter taken from Shaikh & Tonak, 1987, where indirect taxes are assumed to be paid by businesses) appear almost identical until 1977 and only the significant relative increase in the unemployment rate in Canada makes the Canadian transfer ratio consistently lower than the US transfer ratio for the 1978–85 period. Obviously though, this difference would have been much greater, moreover extending over the whole period of study if the indirect taxes had not been assumed to be paid by labour income only in Canada and not in the US.

Then, in this journal 'in order to assess the role played by the British state in the distribution process with regards to labour . . . the method outlined by Sepehri & Chernomas (1992) is carried out . . .' by Akram-Lodhi (1996, p. 181). Indirect or consumption taxes (equal to 30.4% of total taxes and 34.6% of total estimated labour taxes in 1990) are again assumed to fall mostly on labour according to its share in total personal income. As a consequence of the fact that consumption taxes are a greater percentage of total taxes in the UK compared to Canada, the measure of the net social wage for labour appears to be lower in the UK than in Canada. Furthermore, in the inter-country comparison that follows and includes US, UK and Canada, the distributive performance of the US welfare state is again evaluated on the basis of a measure (the transfer ratio taken from Shaikh & Tonak, 1987) calculated on the assumption that indirect taxes are entirely paid by businesses. As a result, the UK welfare state appears to have a much more adverse redistributive effect for labour than the welfare state in Canada, and also appears to impose a heavier net tax on labour than the US welfare state. Akram-Lodhi concludes that:

> Table 9 indicates that over the course of the early 1980s, while the US state was often of no net benefit to labour as a whole, the extent of the transfer from labour to non-labour was less than in the UK. Table 9 also indicates that contrary to British experience the Canadian state did provide labour as a whole with more benefits than they paid in taxes in the early 1980s. Even when that trend was reversed in 1987 and 1988, the net transfer from labour to non-labour was less in Canada than it was in the UK. This finding appears to indicate that the UK state places a comparatively heavy burden upon labour. (Akram-Lodhi, 1996, pp. 189–190).

It is obvious from the above that those conclusions are based on methodological and to a lesser extent on calculating errors[14] and run counter to common opinion about comparative welfare state performance. Actually, Shaikh & Tonak start their latest study by emphasising the incompleteness and undeveloped character of the US welfare state compared with the European ones[15] (Shaikh & Tonak, 2000, p. 247). In fact, Fazeli (1996) has consistently applied the Shaikh & Tonak methodology in the UK economy and found a positive net social wage (9.7% of employee compensation on average and 3.5% if public assistance is excluded from labour benefits) for every year of the 1950–86 period. This is in stark contrast with the results and conclusions drawn by Akram-Lodhi regarding both the level of the net social wage in the UK (a net tax of 4.7% of employee compensation on average and a net tax of 10.5% of employee compensation if public assistance is excluded from labour benefits for the 1970–90 period; Akram-Lodhi, 1996, pp. 188–189) and its comparison with the US measure. Freeman (1991) has also tried to estimate the

Table 2. The net social wage ratio in the US (1952–97) and the UK (1953–86)

Year	Net social wage ratio US	Net social wage ratio UK	Year	Net social wage ratio US	Net social wage ratio UK
1952	−0.060		1975	0.005	0.09
1953	−0.050	0.13	1976	0.033	0.08
1954	−0.033	0.12	1977	0.018	0.08
1955	−0.039	0.12	1978	0.006	0.09
1956	−0.039	0.11	1979	−0.004	0.09
1957	−0.034	0.10	1980	0.010	0.09
1958	−0.010	0.10	1981	−0.000	0.10
1959	−0.022	0.10	1982	0.007	0.09
1960	−0.028	0.10	1983	0.012	0.12
1961	−0.012	0.10	1984	−0.004	0.12
1962	−0.020	0.09	1985	−0.011	0.12
1963	−0.024	0.11	1986	−0.012	0.11
1964	−0.009	0.11	1987	−0.018	
1965	−0.007	0.13	1988	−0.018	
1966	−0.019	0.07	1989	−0.020	
1967	−0.012	0.08	1990	−0.007	
1968	−0.019	0.05	1991	0.012	
1969	−0.035	0.03	1992	0.026	
1970	−0.005	0.06	1993	0.029	
1971	0.017	0.07	1994	0.025	
1972	0.001	0.09	1995	0.023	
1973	−0.002	0.11	1996	0.016	
1974	0.007	0.12	1997	0.005	

Sources: Shaikh & Tonak (2000), Fazeli (1996).

distributive effect of the state towards labour in the UK economy for 1951–87 applying the Shaikh & Tonak methodology except that he assumes that indirect taxes are partly paid by labour. He finds that 'with one exception the "tax ratio" (which is equal to labour benefits divided by labour taxes) has always been below unity, implying that there has always been a net transfer away from wage earners as a result of the state's activity' (Freeman, 1991, p. 101). Fazeli reports broadly similar results to Freeman when she assumes that a portion of indirect taxes is paid by labour[16] (Fazeli, 1996, p. 155). Of course both authors do not attempt to compare their results with Shaikh & Tonak's results for the US. The only possible consistent comparison of the UK, US and Canada based on existing studies should use some of Miller's (1992) estimates of the net social wage in the US where indirect taxes are assumed to fall partly on labour income. It is found there that 'even with this modest estimate of the indirect tax burden of labour, the net impact of state expenditures that go to reproduce labour is negative throughout the period' (Miller, 1992, p. 307) and certainly it is much more negative than in the UK and Canada.

In summary, the picture that emerges from the existing studies (see Table 2) is that when the Shaikh & Tonak methodology is consistently applied, the net social wage ratio is very close to zero in the US, whereas it is positive in the UK (9–10% on average for the 1953–86 period) and it should be positive in Canada but possibly somewhat smaller than the net social wage ratio in the UK.

On the other hand, when indirect taxes are assumed to be paid by labour in proportion to its share in total personal income, then the net social wage ratio is negative everywhere and especially so in the US. Since indirect taxes are a smaller portion of total taxation in Canada than in the UK, the net social wage (being a net tax in this case) appears to be less of a burden for labour in Canada than in the UK.

4. The Net Social Wage in the Greek Economy

4.1. The Greek Economy and the Greek Welfare State

The Greek economy grew at very high rates during the 1950s, the 1960s and early 1970s going through 'the phase of normal capital accumulation' in Shaikh & Tonak's terminology. This process was partly based on the political suppression of the Left (which had been defeated in the civil war that ended in 1949) and the direct control of labour unions by the government. This repressive political regime created favourable conditions for the industrialisation of the Greek economy by keeping real wages low, imposing peaceful industrial relations and discouraging any demands for increased spending on social insurance and social welfare. In fact, during this period, the embryonic social insurance system that had been created before the war is characterised by the existence of many disparate social insurance schemes operating under different rules and regulations while only certain sections of the labour force were covered. The Insurance scheme that covered public employees had been created from 1861 but the Social Insurance Foundation (IKA) the 'general scheme' that covers wage and salary earners in the private sector was created in 1937 and during that period it was still confined in major cities covering only a portion of wage earners. Social welfare was very undeveloped and the authorities used welfare payments as a means of acquiring political influence. During this period it is the family that is almost exclusively responsible for the reproduction of labour power and the state has a marginal role in this process. A short interval of political liberalisation occurred in the 1960s, implemented by governments of the Centre, which increased noticeably public spending on education, health and social security. This process was stopped in 1967 by the military dictatorship that openly suppressed the labour movement and banned all political activity, in the process reducing the share of labour in national income, seriously curtailing social spending and encouraging further investment by private capital.

A qualitative change in the behaviour and the performance of the Greek economy occurred around 1973–74, right after the first oil price shock and the restoration of parliamentary democracy in mid–1974, halting the era of exceptionally high growth rates.[17]

The fall of the military dictatorship created a political climate that allowed the independent labour movement to extract some significant gains from capital. The conservative government of the New Democracy Party that won the 1974 elections responded to the international economic crisis of the mid–1970s by adopting Keynesian interventionist policies thus exacerbating the stagflationary tendencies that plagued all capitalist economies at that time. Growth rates fell considerably until the end of the decade but remained high by international standards (average annual growth rate for the 1974–80 period was 3.5% in Greece compared to 2.6% for the OECD average). Social spending increased as the social insurance coverage was extended again during this period but the heavy requirements for defence spending after the conflict with Turkey in Cyprus and increased spending for general administration and police did not leave much room for significant social spending increases. Greece joined the European Economic Community in 1981 and shortly after that the social democrats of PASOK came to power. Growth rates fell even further during the 1980s and unemployment rates increased despite the pursuit of expansionary fiscal policies. The labour share in national income continued to rise until 1985 but after the new electoral win of the social democrats in that year those gains were eroded as the government adopted restrictive fiscal and incomes policies. During the 1980s, social spending (and general taxation) increased considerably as the social democrats tried to catch up with the other developed European welfare states and the social insurance system finally covered all wage earners in 1982. Those developments led to large public deficits but the welfare state that emerged differed in many respects from those in most European countries. Ferrera (1996) has argued that the welfare state in Greece shares some common characteristics with those of Italy, Spain and Portugal, identifying a 'southern' model of welfare policy. The most important of those elements (that characterised the Greek welfare state from its early stages) are the fragmented nature of social insurance with dissimilar coverage and benefits for different sections of the labour force (very generous in some cases, especially for the core sectors of the labour force and very poor for other sections of the labour force that are left totally unprotected), its clientelistic use for electoral purposes, the absence of a guaranteed minimum income, the importance of cash benefits, and a universalistic and expensive health care system.

The social democrats lost the elections of 1989 and after two short-lived coalition governments that increased drastically the public deficit, the conservative party of New Democracy came to power in 1990. It implemented a wave of privatisations and adopted certain (labour and financial) market liberalisation measures, a partial reform of the social insurance system increasing social security contributions and retirement requirements, curtailing benefits and decreasing corporate and personal income tax rates in 1992. However, the process of high growth did not resume, with average growth in the first half of the 1990s being lower than in any other previous period. Instead, both unemployment rates and the requirements for social spending increased as the labour's share in national income fell. Increased social and political tension caused early elections and the return of social democrats in power in late 1993. The new government did not follow the expansionary fiscal policies of the early 1980s, trying to establish fiscal discipline and meet the criteria for joining the European and Monetary Union. In the second half of the 1990s[18] the Greek economy was helped by increased transfers from the EU that have kept growth rates above the OECD average. In the most recent period and after two more electoral wins in 1996 and 2000 the social democratic government has tried to develop a more efficient and less expensive social safety net. With public expenditures hovering around 50% of Gross Domestic Product and a correspondingly high tax burden, this restructuring of social policy is aiming at curtailing as much as possible the generous 'excesses' of the 'southern" model, being directed towards certain targeted groups that need protection the most (long-term unemployed, poor pensioners, single mothers) as the traditional family ties of the Greek society are not sufficient any more to cope with the persistent problems of poverty, unemployment and social exclusion.

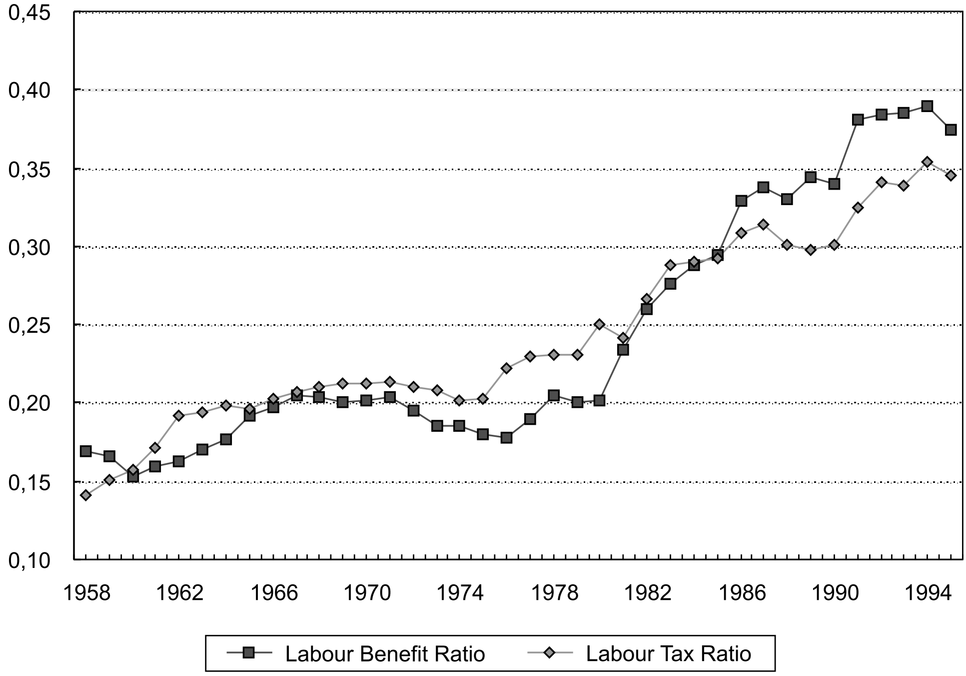

Fig. 1. Labour benefit ratio and labour tax ratio, 1958–95.

4.2. Empirical results

In this section we present first our empirical results regarding the estimation of the net social wage and its constituent elements, the labour benefit ratio and the labour tax ratio, and then we discuss the historical evolution of those measures during the different phases of development of the post-war Greek political economy.

Figures 1–3 and Tables 3 and 4 depict the different facets of the relationship between public finances and the income and standard of living of labour during the 1958–95 period in Greece. In Fig. 1 the Labour benefit ratio and the Labour tax ratio illustrate the development of the welfare state and the degree of its involvement in the reproduction of labour power. Both ratios rise from very low levels, similar to those in the US (see Shaikh & Tonak, 2000, p. 252 and the Appendix) in the beginning of the period. This rise occurs at a very slow pace until the mid–1970s and there is even an absolute fall in the benefit ratio during the military dictatorship period of 1967–74. Then, as the welfare state is gradually established, the growth of both ratios accelerates (especially in the 1980s with the advent of the social democratic governments) and they end up being substantially higher than the corresponding ratios in the US.

Figure 2 illustrates the distributive structure of both sides of the state budget presenting the portion of total taxes paid by labour and the share of public spending that benefits labour. Since general administration and defence expenditures grew faster than social welfare expenditures during the first half of the period, the labour share of public expenditures actually declined between 1958 and 1976, and then it started its upward trend that levelled off in the beginning of the 1990s.

However, the labour share of total public expenditures has remained well below 50% in every year of the entire period. At the same time, the tax burden

Fig. 2. Labour share in taxes and public expenditures.

for labour has risen continuously, becoming half of the total recently, even with our methodological assumption that indirect taxes are paid entirely by businesses.

Figure 3 and Table 3 present the net result of the distributive conflicts around the state budget. The net social wage was positive for only 13 out of the 38 years of the period. Moreover, like the net social wage in the US, it seldom fluctuates beyond 4% of employee compensation, and the average net social wage ratio for the entire period was effectively zero, namely it was just –0.05%.[19] Figure 3 indicates that short run variations in the net social wage depend greatly on the changes in the rate of unemployment, a well-established relationship in the empirical studies of the US

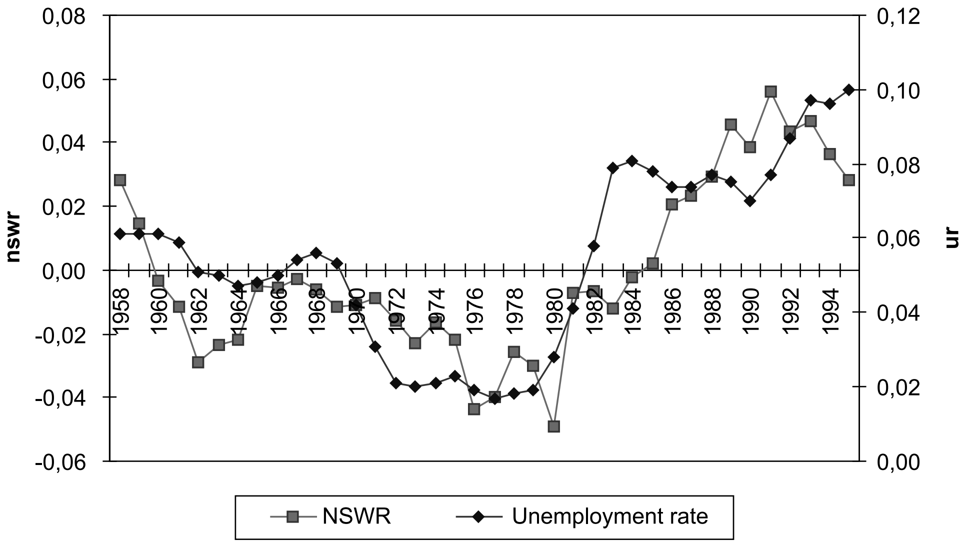

Fig. 3. Net social wage ratio and unemployment rate, 1958–95.

Table 3. The net social wage ratio in Greece 1958–95

Year	Labour Benefit Ratio	Labour Tax Ratio	Net Social Wage Ratio	Transfer Ratio
1958	0.169	0.141	0.028	0.83
1959	0.166	0.151	0.015	0.91
1960	0.153	0.157	–0.004	1.02
1961	0.160	0.171	–0.012	1.07
1962	0.163	0.192	–0.029	1.18
1963	0.171	0.194	–0.023	1.14
1964	0.177	0.199	–0.022	1.12
1965	0.192	0.197	–0.005	1.02
1966	0.197	0.202	–0.005	1.03
1967	0.205	0.207	–0.003	1.01
1968	0.204	0.210	–0.006	1.03
1969	0.201	0.213	–0.012	1.06
1970	0.201	0.212	–0.011	1.05
1971	0.204	0.213	–0.009	1.04
1972	0.195	0.211	–0.016	1.08
1973	0.185	0.208	–0.023	1.12
1974	0.185	0.202	–0.016	1.09
1975	0.180	0.202	–0.022	1.12
1976	0.178	0.222	–0.044	1.25
1977	0.190	0.230	–0.040	1.21
1978	0.205	0.231	–0.026	1.12
1979	0.201	0.231	–0.030	1.15
1980	0.201	0.250	–0.049	1.24
1981	0.234	0.241	–0.007	1.03
1982	0.260	0.267	–0.007	1.03
1983	0.277	0.288	–0.012	1.04
1984	0.288	0.290	–0.002	1.01
1985	0.295	0.292	0.002	0.99
1986	0.329	0.308	0.021	0.94
1987	0.338	0.314	0.023	0.93
1988	0.330	0.301	0.029	0.91
1989	0.344	0.298	0.046	0.87
1990	0.340	0.301	0.039	0.89
1991	0.381	0.325	0.056	0.85
1992	0.384	0.341	0.044	0.89
1993	0.386	0.339	0.047	0.88
1994	0.390	0.354	0.036	0.91
1995	0.374	0.346	0.028	0.92
Avg.	0.2429	0.2434	–0.0005	1.026

and the Canadian economy (see Shaikh & Tonak, 1987, fig. 3, Shaikh & Tonak, 2000, fig. 29.3, Sepehri & Chernomas, 1992, figs 1 and 2).

Furthermore, it is evident from Table 3 that the transfer ratio and the net social wage ratio can differ considerably. For example, if we compare the transfer ratios and the net social wage ratios for 1959 and 1994 we see that the transfer ratios are equal but the net social wage ratios (and the labour benefit and tax ratios) are quite different. In any case, the last row of Table 4 indicates that the average annual net tax on labour is 0.05% of wages and salaries while, on average, annual taxes on labour exceeded labour benefits received from the state by 2.6%.

Table 4. Growth, unemployment, deficits and the net social wage ratio, average annual percentage rates, 1958–95

	1958–73	1974–80	1981–89	1990–95
GDP growth	7.7	3.5	2.2	1.1
Unemployment rate	4.8	2.1	7.1	8.8
Labour Benefit Ratio	18.4	19.2	29.9	37.6
Labour Tax Ratio	19.2	22.4	28.9	33.4
Net social wage ratio	−0.8	−3.2	1.0	4.2
Public deficit (–)/GDP	3.9	0.9	−7.7	−9.8

Sources: OECD, Historical Statistics, 1960–94, Paris, 1996, National Accounts of Greece.

If we consider now the different stages of macroeconomic performance, the development of public finances and the different political regimes we can distinguish four different historical stages in order to study the trend and fluctuations of the net social wage ratio, the labour benefit ratio, and the labour tax ratio under different economic and political conditions.

1958–73. During this period of rapid economic growth, the welfare state is still undeveloped and in some areas non-existent. The social insurance system is still in an embryonic stage and most welfare state institutions and arrangements have not yet been formulated. Social welfare expenditures and spending for health and education are very low, as evidenced by the extremely low labour benefit ratio despite the high unemployment rates in the beginning of the period that were lowered only after the massive immigration of the Greek labour force in Western Europe and the US in the 1950s and 1960s. The labour tax ratio is also very low during this period but marginally higher than the labour benefit ratio, resulting in a mildly fluctuating and negative average net social wage ratio. This net tax on labour contributed in part to the creation of the state budget surpluses of the period.

1974–80. This period was characterised by the growth slowdown that occurred in all capitalist economies. However, growth rates in Greece remained high by international standards and, combined with the immigration of labour during the previous two decades, produced historically low unemployment rates. Tight labour markets, the restoration of democracy and strengthened labour unions resulted in rising real wages, an increase in the share of labour in national income, and therefore (even with more or less constant personal income tax rates) in an increase in labour taxes and the labour tax ratio. At the same time, the absence of any significant changes in social policy (the effect of the extension in social insurance coverage and the increase in social insurance benefits in 1978 had not been visible yet), low unemployment rates, and a dramatic increase in defence expenditures, kept the labour benefit ratio at very low levels, producing the lowest average net social wage ratio of the entire period. The net tax on labour is significant (an average of 3.2% of total wages and salaries) and probably finances both the state and capital, thus limiting the working class gains in the market distribution of income that occurred during this period.

1981–89. It is the first time that the picture resembles that of a typical welfare state with high and sharply rising labour benefit ratio and labour tax ratio resulting in a small positive redistributive effect for labour. As economic growth slowed even further, turning into stagnation, the unemployment rate more than tripled in magnitude despite increases in public sector employment and the emergence of significant public deficits. The social democratic government implemented sizeable increases in social security, health and education spending[20] that raised considerably the labour benefit ratio. It could be argued that the foundations for the creation of a welfare state in Greece were established during this period. However, as tax revenues (and the labour tax ratio) did not increase as fast as public expenditures did, large budget deficits were created that undermined public finances for the coming years. The net redistributive impact of those developments on the income and consumption of labour turned positive for the first time but it averaged just 1% of total employee compensation.

1990–95. Economic stagnation turned into recession, increasing further the unemployment rate and the public budget deficits in the beginning of the 1990s. Slow employment growth and the further maturation of the social insurance system decreased the ratio of active wage and salary employees to pensioners, to 2.68 in 1991, compared with 3.97 in 1974. The labour benefit ratio rose considerably and the net social wage ratio peaked in the recession year of 1991, averaging about 4% for the period, its highest value in all four phases examined. The rise in the net social wage ratio occurred despite the parallel rise in the labour tax ratio, an increase that resulted from the stagnation in wage income and the increased social security taxes. However, the net social wage ratio has retreated from its peak and the fact that it was effectively financed by huge public deficits casts doubt on whether it can be maintained in the future. In fact, the close positive relationship between the net social wage ratio and the unemployment rate observed for most of the period was broken for the first time after 1991 with the unemployment rate increasing and the net social wage ratio falling (see Fig. 3) as the first steps were taken towards establishing fiscal discipline and implementing the integration of the country into the European Economic and Monetary Union. In addition, as mentioned in the last section, the current government is not likely to expand welfare state services in a universalistic fashion, focusing instead more on certain population groups that need social protection much more than others.

In summary, for the entire period examined, the 'gross social wage' (expressed by the labour benefit ratio) has become an increasingly important part of the overall consumption basket of labour. However, the net social wage has not affected so far, either positively or negatively, the welfare of the working population in a significant way, being even in the best of times a very small net contribution to the standard of living of labour. Even though the average level of the net social wage ratio for the entire period is effectively zero and it does not appear to have a clear trend in either an upward or a downward direction, it has fluctuated considerably, mostly responding to short run changes in the unemployment rate. This counter-cyclical nature of the net social wage (see also Shaikh & Tonak, 2000, p. 247) contributes to dampening any inegalitarian market effects in overall personal income inequality; the latter may result from increasing earnings inequality or a decrease in labour income relative to property income. The degree of inequality inherent in the personal income distribution has been found to remain remarkably constant in Greece between 1982 and 1994 (see Tsakloglou, 1997; Mitrakos and Tsakloglou,

2000) and the counter-cyclical behaviour of the net social wage (in this case its monetary portion) may be responsible in part for this stability.

Finally, it should be noted that our results fall within the range of the results obtained so far in the empirical studies for other more advanced economies (Fazeli, 1996; Sepehri & Chernomas, 1992; Shaikh & Tonak, 2000). On average, the net social wage ratio in Greece and the US are about the same, even though the Greek welfare state developed later and the public sector currently plays a greater role in the reproduction of labour power than the state in the US. Both countries have incomplete or ineffective welfare states, whereas in countries such as Canada and the UK, the state seems to redistribute income towards labour, albeit to a modest extent. In all cases, increases in the net social wage ratio have occurred only after the onset of economic crisis and mostly as a reflection of the hard times for labour in terms of income and employment. On the other hand, when indirect taxes are assumed to fall partly on labour income, the state has been found to impose a net tax on labour as a whole, in all countries examined (Miller, 1989, 1992; Sepehri & Chernomas, 1992; Freeman, 1991; Akram-Lodhi, 1996). In other words, it could be argued that the state has not implemented any kind of 'decommodification' of labour power through the social wage, and the market wage remains by far the most important part of the standard of living for labourers in Greece as in every other capitalist economy.

5. Conclusions

This study examined the net distributive impact of state revenues and expenditures on the income of labour in Greece for each year of the period 1958–95. The trend and fluctuations of the net social wage were also examined during four distinct phases of post-war development in order to allow for the radical economic and political changes that happened in Greece in the last four decades.

Our results could be used as evidence for the validity of the term 'welfare state'. A significantly positive net transfer from the state to labour, namely a large positive net social wage ratio, would tend to justify the use of this term since it is implicitly taken to refer exclusively to the welfare of the working class or the subsidisation of its market income in the form of a 'social wage'. In addition, the increased state involvement in economic and social reproduction has been explained either as a product of working class pressure and class struggle in general, or as a conscious design on the part of capital for the promotion of the accumulation process and the legitimisation of the system—necessary state functions in a capitalist economy. A clear view of the net distributive effect of the welfare state for labour is useful for the evaluation of the alternative claims on the origins and the causes for the development of welfare state spending.

The empirical findings of our study indicate that for the whole period no redistribution in favour of labour has taken place via the actions of the state, and the net social wage is close to zero on average. This is so even though, especially in the last decade, we observe an increasing involvement of the government in the reproduction of the working population as the labour tax ratio and the labour benefit ratio have increased substantially, compared to their very low levels in the 1950s and 1960s. Furthermore, the positive net social wage of recent years is not likely to reflect a rise in the strength of labour in society since it was accompanied by significant losses for labour in the market distribution of income, increased unemployment rates and it was financed by unsustainable public deficits.

Our results along with the results of similar studies for other countries suggest that whatever income redistribution takes place in capitalist economies through fiscal policies, it has been restricted to be mostly within the ranks of labour as a whole. If there exists a welfare state then its functions do not include the subsidisation of the standard of living of labour at the expense of capital; whatever the reasons for its post-war expansion in the field of social policy, the state has implemented mostly horizontal and not vertical redistribution of income.

Notes

I would like to thank two anonymous referees of this journal for their comments.

1. Gottschalk & Smeeding (2000, pp. 296–297) note that 'Concerns about growing inequality in incomes (and also earnings and wealth inequality) have fuelled social and political debates in many OECD countries'. In summarising the empirical evidence on income inequality in OECD nations they report that 'Income inequality has increased dramatically in a number of countries, particularly in the UK but also in the Netherlands, Denmark, Sweden, Australia and several other nations'. Tilly (2000, p. 122) similarly argues that 'Recent economic trends in the United States tell a story of income stagnation, growing income insecurity, and widening income inequalities'.
2. The term is not clearly defined in either the mainstream or the radical literature; 'It is not easy to define the welfare state; for one reason the term refers both to goals . . . and to means' (Gough, 1987, p. 276). 'Not only are these words used to mean different things in different countries, but by some individuals they are used as a vague symbol for a set of ideas which they either support or reject but that may bear very little relationship to reality' (Dilnot, 1995, p. 1). Shaikh & Tonak referred to it as the 'so-called' welfare state in their earlier work and argued that the social wage is a myth, being actually a social subsidy of the state (Shaikh & Tonak, 1987, p. 185).
3. Maddison (1995, ch. 14) summarises the discussion of those issues from the viewpoint of different theoretical schools of thought.
4. '[W]elfare-state arrangements are also likely to have profound consequences for economic growth, economic efficiency, and macroeconomic stability' (Lindbeck, 1997, p. 1283).
5. See for example Dilnot (1999, p. 500).
6. Korpi concludes that 'As the literature in this area indicates, it is hard to find unequivocal empirical support for the hypothesis that welfare state policies have widespread and major negative effects on economic growth' (Korpi, 2000, p. 64).
7. Sawyer (1976; 1982) argues that the great expansion of the welfare state brought much smaller changes in income distribution than those expected by welfare state advocates. He also stresses the practical difficulties involved in defining and measuring (pre-fiscal and post-fiscal) inequality, in assessing its trend and making inter-country comparisons. Things have changed for the better nowadays due to the existence of the LIS but certain problems remain (see Gottschalk & Smeeding, 2000). It is still difficult to compare the present situation in income inequality with what was happening three or four decades ago, while this is practically impossible for Greece for the years prior to 1974.
8. Meanwhile, Miller (1989, 1992) compared the results for the net social wage obtained on the basis of the three methodological frameworks of Bowles & Gintis (1982) and the Social Structures of Accumulation approach (O'Connor, 1973; and Shaikh & Tonak, 1987). He concluded that the net social wage in the post-war US economy is clearly negative but the welfare state is something worth defending especially against further cuts in programmes that benefit working people and the poor.
9. That is, abstracting from intermediate social strata like self-employed professionals and small farmers, on which see below.
10. The vast majority of farmers work in family-owned farms and constitute a large section of the labour force in Greece, especially during the first half of the period examined. The small number of wage earners in the agricultural sector is included in our definition of labour.
11. Farmers are excluded from the definition of labour for the reasons mentioned above. In any case, farmer pensions being of a non-contributory nature were very small for almost the entire period examined.

12. Those taxes are directly given in the Greek Public Finance statistics. We do not therefore need to employ the indirect method of multiplying total personal income taxes by the 'labour share' in order to estimate the portion paid by labour, as in Shaikh & Tonak (1987, 1994, 2000) and in most other similar studies.
13. See Shaikh & Tonak (1987, p. 193, n.8; 1994, p. 140; 2000, pp. 248–249).
14. Akram-Lodhi forgets to add expenditures for housing and community amenities (those are close to 10% of total labour benefits and about half the size of the net tax for the year 1990) in labour benefits when he calculates the net tax as can be deduced from Tables 5, 6 and 7 and 8 (Akram-Lodhi, 1996, pp. 186–189) thus lowering further the estimated measure of the net social wage in the UK.
15. From a mainstream point of view, Freeman (1995, p. 16) also makes the point that European welfare states have been much more effective in fighting poverty compared to the US welfare state.
16. As expected, the results reported by Akram-Lodhi come close to those reported by Fazeli (when part of the burden of indirect taxes is assumed to be shifted to labour) and Freeman, especially when public housing expenditures are included in the estimation of labour benefits.
17. Alogoskoufis (1995) claims that the drastic change in institutional arrangements and labour market and tax policy regimes after 1974 was responsible for the worsening of macroeconomic performance. Mihail (1993) argues that the collapse of the post-war Social Structure of Accumulation (SSA) in Greece significantly reduced profitability, investment and growth in the post–1974 period. From a classical Marxist perspective Maniatis *et al.* (1999) argued that Marx's theory of a falling rate of profit due to a rising organic composition of capital explains the turnaround in the performance of the Greek economy since the mid–1970s.
18. Our social wage estimations stop at 1995 because there are no data for public expenditures classified by function after that year.
19. Another similarity in the domain of public finance is that Greece, like the US, is one of the world's heaviest spenders on defence. Defence expenditures in Greece have averaged 5% of GDP and 20% of current public expenditures for the period examined.
20. See Tsakalotos (1991, p. 258) for a discussion of the policies adopted by the social democratic government during its first period of 1981–85.

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