

CHAPTER I
THE GREAT DEPRESSION AND THE
CURRENT GLOBAL RECESSION

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I.1 Introduction

The 2010 Americas Social Security Report focuses on the relation between the global economic crisis and social security. We will show how economic cycles relate to the key variables of unemployment and wages, we will analyze the role of unemployment insurance, and the way pension systems have evolved under the new conditions. Our final chapter will deal with the issue of long term expectations on health care expenditures.

This introductory chapter offers data that put into perspective the current economic recession by comparing it to the Great Depression, which started in 1929 and is a reference period against which global crises are analyzed. Through this comparison, our goal is to briefly explain the role of social security and labor programs during recessions. This information will allow us to understand the public actions in the area of social security that are currently working and those which are still needed to help societies cope with the realities of periods of recession.

While the current recession, which began in 2008, is large enough to warrant a comparison with the Great Depression, there are significant differences between the two. National governments are better prepared to respond to the financial perturbation, wage rates

have been relatively stable, the commodity prices that determine export revenues of several countries have not declined in the mid-term, and social security is doing the job it is supposed to do, namely, protecting workers' income and access to health services. The main crisis has been the increase in unemployment, the risk of a recovery period that does not generate jobs, and the lack of coverage affecting large social groups.

I.2 The Great Depression vs. Current Recession

Between 1929 and the end of the thirties, the global economy suffered a protracted episode of low productivity, high unemployment, and social conflict. Indeed, immediately following, the largest war in the history of mankind ensued. As a response, during the thirties and the forties Western Europe, the Americas and some Asian nations worked to establish national social insurance programs for old age and disability, for unemployment, for health, and to support widows and single mothers.

Many countries had some form of social protection before, but the distinguishing feature of the movement triggered by the Great Depression was the adoption by national states of a permanent commitment to the principles of solidarity through large, well-funded, structured agencies. Since then,

these have become a main part of how citizens relate to the general society. We are not exaggerating when we say that the Great Depression is viewed as the historical episode that defined contemporary social security.

Events since 2007 pointed out to the likelihood of an economic recession in the United States. A banking panic devastated the global financial system during September 2008 and the recession spread globally. At the time, some wondered if the recession would deteriorate into a new Great Depression. As of writing this chapter the recession has not ended and so this may still be a possibility. At any rate, the current recession is undoubtedly large and its effects are widespread. Comparing data from the Great Depression to data of the current episode can demonstrate the role social insurance is playing.

While there are many interesting features of depressions that can be analyzed, we will focus on the four variables that are most important and affect labor market behavior and the well-being of families. We will not review the causes of the Great Depression or the current large recession, because that is not our goal. Our interest is in how social insurance has and is responding and can hopefully further improve its response to the current crisis. To summarize, the main events during the Great Depression are:

i) Industrial output and gross domestic product (GDP) plummeted in North America, and in Latin America and the Caribbean (LAC), generating poverty in cities. For the developed countries, the fall was an astounding 30 to 40 percent in industrial production, and a little less on the GDP. Latin American countries had a more heterogeneous behavior. The recession hit hardest in Chile, Mexico, Nicaragua, and El Salvador, and was less hard on Argentina, Costa Rica, Colombia, and Honduras. According to Christina Romer (2003), currently the Chief of the Council of Economic Advisors of President

Barack Obama, South America was able to manage the Depression better than Europe or North America. Data shows that the current decrease has been important, but that it is still way short of the downturns observed during the Great Depression for almost all countries (See Table I.1).

ii) Unemployment was the most prevalent effect of the Great Depression in industrialized countries. During the episode, unemployment increased significantly reaching more than 20 percent in most developed countries. In Germany, a country that was still recovering economically from its involvement in World War I, the unemployment rate reached 36.2 percent (Table I.2). Unfortunately, there is very little information for LAC countries for those years. Díaz-Alejandro (1988) conjectures that in the more industrialized countries of Latin America, high open unemployment in urban areas was not a substantial phenomenon, at least during the first years of the Depression, because wages were flexible and migration flows to the region (from Europe), and from rural to urban areas stopped and even reversed. In the current recession, the unemployment rate has increased in most developed and LAC countries. Nevertheless, the unemployment rate has not ballooned as much as it did during the Great Depression. At the moment of writing this Report, no country in the Americas has reported an unemployment rate higher than 12 percent.

Table I.1
Decline in Production during the Great Depression and
Current Recession, Various Countries

Country	GDP		Industrial production	
	During Great Depression (peak to trough ^{1/})	During current recession (peak to current situation ^{2/})	During Great Depression (peak to trough ^{1/})	During current recession (peak to current situation ^{3/})
United States	30.4	3.9	46.8	15.1
Great Britain	3.6	4.9	16.2	13.7
Germany	15.9	6.9	41.8	20.5
France	10.0	3.2	31.3	16.9
Canada	N.A.	2.3	42.4	17.4
Argentina ^{4/}	14.0	9.9	17.0	7.1
Brazil ^{4/}	1.0	12.2	4.0	13.7
Chile ^{4/}	33.0	6.4	23.0	17.5
Colombia	(4.0)	1.3	(9.0)	15.6
Costa Rica ^{4/}	5.0	4.8	(10.0)	5.8
Guatemala	15.0	N.A.	18.0	16.1
Honduras	3.0	N.A.	8.0	N.A.
Mexico	16.0	8.8	31.0	11.8
Nicaragua	32.0	N.A.	29.0	17.9
El Salvador ^{4/}	18.0	4.5	34.0	20.7

Notes: N.A. = not available. Parenthesis means positive growth. 1/Means from 1929 to 1932; 2/United States Q2-08 - Q2-09; Great Britain Q1-08 - Q1-09; Germany Q1-08 - Q1-09; France Q1-08 - Q1-09; Canada Q4-07 - Q1-09; Argentina Q2-08 - Q1-09; Brazil Q4-08 - Q1-09; Chile Q2-08 - Q1-09; Colombia Q3-08 - Q1-09; Costa Rica Q1-08 - Q1-09; Mexico Q2-08 - Q1-09; El Salvador Q4-08 - Q1-09. 3/United States Jan08-Jun09; Great Britain Oct07-May09; Germany Apr08-May09; France Apr08-May09; Canada Jul07-May09; Argentina Sept08-Apr09; Brazil Sept08-May09; Chile Mar08-May09; Colombia Oct08-Apr09; Costa Rica Mar08-Jun09; Guatemala Dec08-Jun09; Mexico Mar08-May09; Nicaragua May08-Apr09; El Salvador Dec07-May09. 4/GDP series in current recession not seasonally adjusted.

Source: Kindleberger (1988) Maddison (1985), Roemer (2003), web pages of CEPAL, OECD, Central Banks of the countries and own calculations.

Table I.2
Increase in Unemployment Rate during the Great Depression
and the Current Recession, Various Countries

Country	During Great Depression ^{1/}			During current recession (peak to current situation) ^{2/3/}		
	Rate at peak	Rate at trough	Percentage Change	Rate at peak	Rate at trough	Percentage Change
United States	3.1	24.8	688.2	4.5	9.2	104.4
Great Britain	9.7	22.1	127.8	5.2	7.0	34.6
Germany	8.6	36.2	320.9	7.2	7.5	4.2
France	1.0	15.4	1,440.0	7.2	8.7	20.8
Canada	2.6	26.6	923.1	5.9	8.3	40.7
Argentina	N.A.	N.A.	N.A.	7.3	8.6	17.8
Brazil	N.A.	N.A.	N.A.	7.7	8.3	7.8
Chile	N.A.	N.A.	N.A.	6.6	10.2	53.9
Colombia	N.A.	N.A.	N.A.	10.5	11.9	13.3
Mexico	N.A.	N.A.	N.A.	3.6	5.7	58.3

Notes: N.A. = not available. 1/Means from 1929 to 1932; 2/Quarterly unemployment rate is seasonally adjusted; 3/United States Q2-07 - Q2-09; Great Britain Q1-08 - Q1-09; Germany Q4-08 - Q1-09; France Q1-08 - Q1-09; Canada Q1-08 - Q2-09; Argentina Q4-08 - Q1-09; Brazil Q3-08 - Q2-09; Chile Q1-07 - Q2-09; Colombia Q3-07 - Q2-09; Mexico Q2-07 - Q2-09.

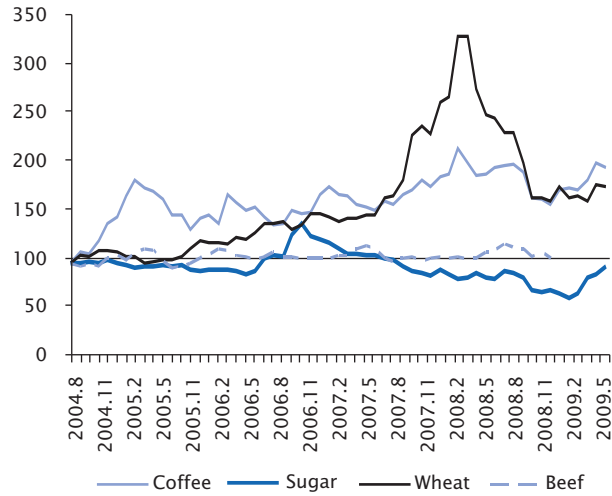
Source: Galenson and Zeller (1957), Eichengreen and Hatton (1988), USBC (1960), OECD Statistics Portal (2009), LABORSTA (2009), Central Banks of the countries and own calculations.

iii) Real wages increased significantly during the worst part of the slump and then dropped significantly. From 1931–1934, they were between 20 and 40 percent higher than 1929 in most developed countries, and by 1936, real wages in most countries had dropped significantly, but were still 10 percent higher than they had been in 1929 (Bernanke and Carey, 1996). The lack of *nominal* wage flexibility is often linked with the great difficulties of industrial economies to overcome the Great Depression. In the current recession, wage rates have not decreased significantly, as we will see in the next chapter. The significant increase in real wages during the Great Depression occurred mainly because of deflation in general price levels; in the following years wages were adjusted slowly and eventually real wages fell. During the current recession, governments have avoided general deflation through expansion of the money supply by central banks, and real wages have remained steady. Probably this is an important factor by which unemployment is not triggered as it did after 1929.

iv) Agricultural and mineral prices were devastated during the Great Depression. The prices of coffee fell from over 20 to less than 10 cents per pound; the prices of oil, copper, and other minerals also experienced large reductions that determined the loss of most export income for LAC countries in general. It has been calculated that the terms of trade faced by the region decreased 20 percent between 1929 and 1932 (Maddison, 1985). We see in Figures I.1 and I.2 that during the current episode prices of commodities have also decreased significantly in the short term, especially those

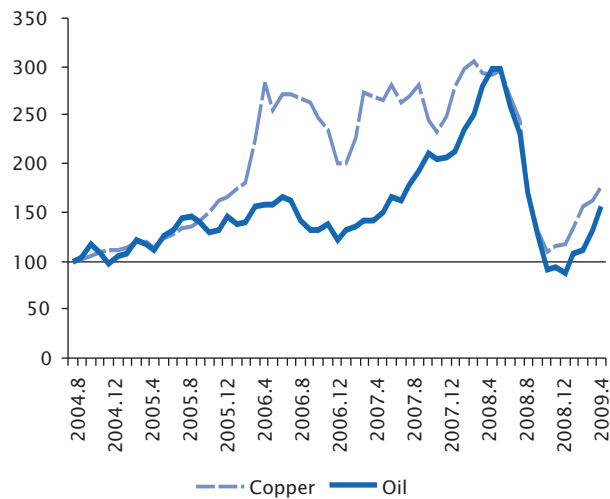
of oil and copper (the falls from the peak are 49.4 and 40 percent). Nevertheless, around the summer of 2008, prices of many commodities were at record highs and, indeed, with the exception of sugar and beef, prices of most commodities by the summer of 2009 were above 2004 levels. Though there was no increase in sugar and beef, there was also no significant decline. Moreover, traditional commodities export countries, such as Argentina and Brazil, have been more diversified in their exports, and the Caribbean and Central America may even benefit from this recent decrease in commodities prices because they import energy. It is believed that the demand for commodities from Asia can largely explain this phenomenon. Thus, it seems that in the mid-term will not be a general deterioration in the terms of trade for the region.

Figure I.1
Price Indexes of Agricultural Commodities
 (2004.8=100)



Source: Own calculations using market data.

Figure I.2
Price Indexes of Copper and Oil
 (2004.8=100)



Source: Own calculations using market data.

In summary, the current recession shares the global nature of the Great Depression. On the positive side, up until the summer of 2009, the current recession has been milder than the Great Depression in the dimensions of unemployment, commodity prices, and wage stability. However, the recession has not ended and unemployment is still on the rise.

There are two very important features, though, that differentiate between the experiences of the

Great Depression and the current global economic crisis. First, most countries today have a social security system that buffers the impact of financial crises on the well being of families, and, second, we have improved our knowledge about the way governments can react to recessions and avoid undue volatility of wages and employment. The way in which taxes on labor and social benefits behave during recessions are an important part of these policies.

Box I.1

Social Impacts of the Great Depression in LAC Countries

The Great Depression set the stage for a time of historical change in several Caribbean islands. According to Johnson (2006) "almost every Caribbean territory was hit by worker revolt. These movements were very active between 1934 and 1938, and Britain issued the Colonial Development and Welfare Act of 1940 to respond to the demands for union rights, universal adult suffrage and self-government...." (pg. 365). In 1939, the eventual Nobel Prize winner W. Arthur Lewis pointed out that in the West Indies there was no protection against unemployment or health insurance, and practically no legislation on labor conditions and housing. The movement in the 1930s began in British Honduras, which eventually would become the independent nation of Belize. Soon, Jamaica, Barbados, Trinidad and Tobago, Antigua and others joined the movement.

In support of the last statement, Rothermund (1996) points out that all Caribbean and Latin American countries were vulnerable to the events of the Great Depression, because they exported agricultural products, minerals, and petroleum. The prices of these commodities had fallen before 1929 and thereafter declined very sharply. The lack of strong currencies made the Caribbean and all LAC countries look for and implement a strategy of substitution of imports, which they would eventually deepen after World War II. The advantage in these countries was that a great part of the population lived in the rural sector and the region's pattern of consumption was not yet inclined towards industrial goods, so unemployment did not take the forms it had in North America or Western Europe. Certainly, that was far from being a favorable solution; although the urban poverty was not as dramatic as in the industrial cities of the north, rural poverty was accentuated.

According to Rothermund, the answer of Latin America to the Great Depression was determined first by the capacity of the governments to take action, and, second, by the type of relation that they had with the rest of the world. With respect to his capacity to make decisions, the author indicates that some countries could take a "reactive" position, whereas others, including almost all small and the medium countries, had to live passively through the period. Among the countries with reactive policy, Rothermund groups: Brazil and Colombia that exported coffee; Peru and Chile that exported minerals (Peru also exported petroleum), and finally Mexico and Argentina in two special situations. Governments tried to guarantee prices for farmers, but the extent of the damage was so large that such effort only meant the collapse of public finance and even national governments.

I.3 Automatic Stabilizers and Recessions: Taxes and Social Security

The founding of modern social security coincided with the expansion of Keynesian ideas about how a national government should respond to recessions. Besides its beneficial effects on families, social security was thought as one of the most important automatic stabilizers of the economy. Automatic stabilizers are those programs that inject spending capacity into parts of the economy to boost the demand for goods and services as soon as a recession hits.

The "Beveridge Plan"—often seen as a seminal statement of contemporary social insurance—was a very Keynesian document. Beveridge believed that unemployment insurance would support not only workers' incomes, but also aggregate demand and hence reduce the depth of a recession.

The income tax also works as an automatic stabilizer. During a recession, the income earned by firms and families is lower, but then the average tax rates also fall and thus disposable income is affected less by the loss in wages and employment. Besides unemployment benefits, social security (through early retirement, disability pensions, and a stable expenditure in health) can also be an automatic stabilizer. The argument is that persons eligible for retirement or disability benefits may find that opportunities for work have become less attractive and might prefer to opt out of the market and begin drawing benefits, helping to maintain consumption and hence aggregate demand.

The theories behind social security and income tax as automatic stabilizers, however, are not easy to verify empirically. Auerbach and Feenberg (2000) calculate that, as an automatic stabilizer, the United States' unemployment benefits have an impact of 2 percent on the initial GDP shock, and that the impact of taxes and payroll is around four times larger. Thus, these authors calculate that roughly 10 percent of the fall in expenditures during a recession is compensated by higher social benefits and lower

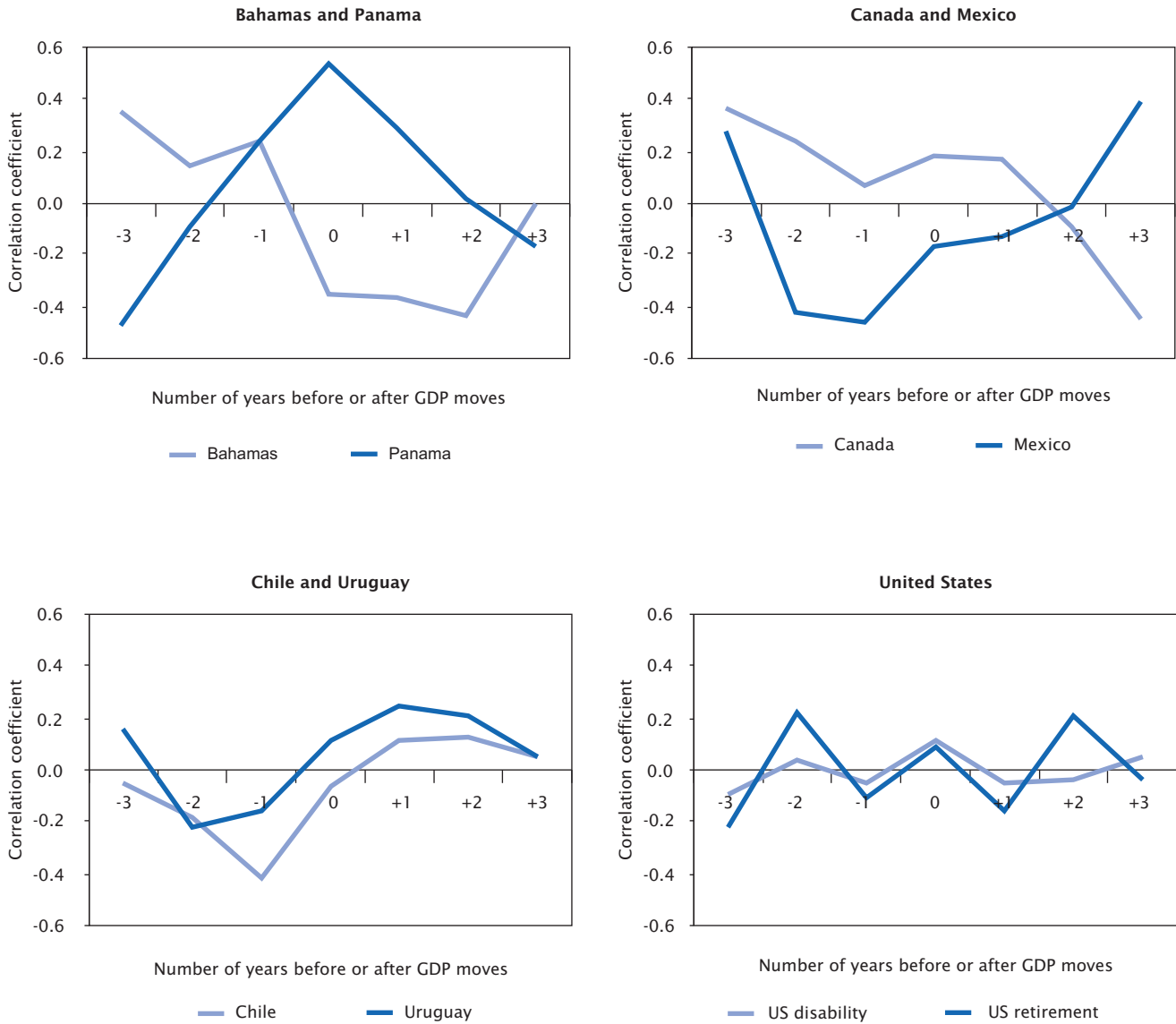
taxes. For Latin America, Suescun (2007) finds that the effect of the tax system as an automatic stabilizer is negligible.

Figure I.3 shows the correlation between the number of pensioners and GDP growth rates. Here we see that the relation between the number of new retirees and the economic cycle is not simple, and does not go clearly from recession to an increase in the number of retirees. The correlation between number of pensioners and the business cycle is weak, especially when we make the comparison across countries. Canada and Mexico show basically the opposite behavior: in Canada, there was a higher rate of retirement of workers before the recession, while in Mexico fewer workers retired before the recession. We speculate that, in Canada, individuals anticipate the recession and retire because they have higher levels of savings and public pension benefits, while in Mexico individuals anticipate the hard times by working more. Chileans behave similarly to Mexicans. In Panama, retirement peaked right at the recession year, but declined before and after. The figure for the United States does not seem to show a discernable pattern of correlation with GDP growth for either retirement or disability programs. A full solution to the question about how retirement behavior changes with a recession requires additional research using micro data; with the exception of the United States the effect of the recession on retirement behavior seems to be an important social event, but does not work in the same direction for all.

That automatic stabilizers are not believed to be a powerful tool is seen indirectly in that national governments usually implement special policies to

face recessions. A discussion of the recent actions taken by governments around the Continent and their potential effect is presented in Section I.4.

Figure I.3
Movement of Number of Pensioners Given Number of Years
before and after the Change in Real GDP



Source: Own elaboration

I.4 Government Responses to Face the Current Recession

Contemporary governments usually respond aggressively to recessions. This was not true during the early twentieth century. In addition to actions on monetary and exchange rate and those taken to support the banking system during the crisis, national governments implement policies to support the labor market. During the current episode, the behavior of most governments in the continent has not been different from the recent past. The Economic Commission for Latin America and the Caribbean (ECLAC) has drafted a valuable summary of the actions taken by governments in the monetary, financial, fiscal, exchange rate, and external trade areas (see CEPAL 2009).

In Table I.3, we summarize the actions related to active labor market programs (ALMP), unemployment insurance (UI) and other policies. ALMP includes job-matching programs, training programs, and the creation of public sector jobs and the provision of work subsidies in the private sector. UI is often termed a passive labor market program. Not all policies have been implemented because of the crisis: some are reforms to policies, some are reinforcements (such as budget increases), and some are simply applications made in the context of the recession (such as wage increases to the minimum wage that normally take place every year).

Table I.3
Labor Policies during the Current Recession, as of June 30, 2009

Country	Policies
Antigua and Barbuda	<ul style="list-style-type: none"> • Creation of an unemployment fund to support dismissed workers
Argentina	<ul style="list-style-type: none"> • Subsidy and flexibility for the payment of social security contributions • Wage increases for public sector workers (15.5 percent)
Bahamas	<ul style="list-style-type: none"> • Training programs for unemployed • Unemployment temporary benefits
Barbados	<ul style="list-style-type: none"> • Wage subsidies to promote retention of workers • Fiscal exemptions to low wage workers
Bolivia	<ul style="list-style-type: none"> • Wage increases for public sector workers (12-14 percent depending the sector)
Brazil	<ul style="list-style-type: none"> • Extending the periods during which workers dismissed since December 2008 in sectors of the economy particularly hurt can collect benefits • Wage adjustments to minimum wage maintained (at least 12 percent)
Canada	<ul style="list-style-type: none"> • More public expenditure in training programs • Improvements of unemployment insurance benefits
Chile	<ul style="list-style-type: none"> • More public expenditure aimed at promoting public employment • Wage subsidies for low wage young workers (18-24 years old) • Incentives and subsidies to promote retention and training of workers • Extending the access to benefits of the unemployment insurance (severance pay) (currently the solidarity fund covers all workers and not only workers with indefinite contracts)

Table I.3 (continued)

Country	Policies
Colombia	<ul style="list-style-type: none"> • Training programs for unemployed young population • Increase of the minimum wage (7.7 percent)
Costa Rica	<ul style="list-style-type: none"> • Training programs • Extension of the period of coverage of social security benefits to dismissed workers (from 3 to 6 months) • Agreements to reduce the number of hours worked without reducing the hourly wage and employment • Project to modernize the labor law: allow flexibility in work schedules (allow for weeks of 4 working days)
Dominica	<ul style="list-style-type: none"> • Minimum wage increases
Dominican Republic	<ul style="list-style-type: none"> • Adjustment of the public sector minimum wage (67 percent) and increase in the public sector wages (15 percent)
El Salvador	<ul style="list-style-type: none"> • Public expenditure aimed at promoting public employment
Guatemala	<ul style="list-style-type: none"> • Increase of the minimum wage except maquila (10.7 percent) • Change in the legislation to regularize part time workers
Honduras	<ul style="list-style-type: none"> • Increase of the minimum wage
Jamaica	<ul style="list-style-type: none"> • Increase of the minimum wage and increase of the wage of public sector workers
Mexico	<ul style="list-style-type: none"> • More public expenditure aimed at training programs • More public expenditure aimed at promoting temporal employment • Subsidies to maintain employment • Widening of the amount to which workers are entitled to retire during unemployment and flexibilization of requirements (of individual pension accounts) • Flexibilization on the use of the resources of the housing program
Nicaragua	<ul style="list-style-type: none"> • Training programs for young unemployed
Paraguay	<ul style="list-style-type: none"> • More public expenditure aimed at promoting public employment
Peru	<ul style="list-style-type: none"> • More public expenditure aimed at promoting public employment • Training programs • Permission to retire two employers contributions from pensions funds • Public subsidy for the contributions to social security
St. Kitts and Nevis	<ul style="list-style-type: none"> • Minimum wage increases
St. Lucia	<ul style="list-style-type: none"> • More public expenditure aimed at promoting public employment
St. Vincent and the Grenadines	<ul style="list-style-type: none"> • Support of the National Insurance Service to support dismissed workers
Uruguay	<ul style="list-style-type: none"> • Public subsidy for training programs
Venezuela	<ul style="list-style-type: none"> • Increase of the minimum wage (20 percent)

Source: CEPAL (2009).

As is demonstrated by the above grid, countries face the recession with a variety of programs. Indeed we cannot identify a unique pattern. Evidently the implementation of programs reflects how the global recession has affected each country, the fiscal capacity of the governments, and the views of different pressure groups. The lack of consensus on the effect and efficiency of the programs to help support families and to increase aggregate demand during a recession also generates variability in the response across countries.

In the particular case of ALMP, the effectiveness depends upon the design of the programs, the implementation, and the special features of the labor market. It is generally accepted that these programs are not useful to change the long-term employment path of workers. The Americas 2007 Social Security Report (CISS 2006) has a detailed description of these programs.

UI has been criticized sometimes for being "passive"; for not doing something directly to put workers in new jobs. However, UI is an effective support tool for the normal rotation of workers in a competitive and dynamic economy who need a financial back-up plan between the end of one job and finding a replacement job. It has also proven to be a transparent and efficient way to protect families' basic needs during a temporary period of employment uncertainty and instability. ALMP are an important feature of contemporary labor policy, but the pure insurance goal of avoiding the risk of extreme poverty for the unemployed cannot be disregarded. Chapter III will analyze the recent evolution of UI programs in the Americas.

Beyond labor market support programs, governments use fiscal (more spending and less taxes) and monetary (money injection and lower interests) policies to compensate for the effect of recessions. Almost 80 years after the Great

Depression, and after many countries of the world had suffered important recessions, the answer to the question of what role government should play during recessions is still one of the most controversial in economics.

Some economists argue that economies recover from depressions faster if governments take actions aimed at diminishing distortions in the markets insofar as efficiency is encouraged. This view was recently exemplified by the research in the book by Kehoe and Prescott (2007). The hypothesis behind this argument is that recessions and recoveries are caused by changes in the productivity of the national economy and that those changes are caused by external uncontrollable factors (such as technological change) or induced by the action of governments (such as regulations with favorable results, or those regulations that were badly thought out or badly applied). Consequently, this approach rules out fiscal reforms or expansion of government expenditures as being effective tools to spur economic recovery, because they primarily affect the incentives to accumulate and to work and do not benefit productivity, and because it is unlikely that emergency regulatory measures will be an improvement to regulation developed during the normal course of functioning by a government.

Economists in line with the Keynesian theory, however, defend the idea that monetary and fiscal policies are effective in encouraging recovery from recession. This argument is based on the idea that monetary and fiscal policies will affect production factors, which in turn determines a country's economical performance. Paul Krugman (2009, p. 184) summarizes it in this way: "What does it mean to say that depression economics has returned? Essentially, it means that for the first time in two generations...insufficient private spending to make use of available productive capacity...has become

the clear and present limitation on prosperity for a large part of the world." Proponents of this view call for large increases in government expenditures to cover the decline in private demand for goods and services.

On empirical grounds, recent research by the IMF (2009) finds that in all types of recession monetary policy is typically associated with shorter recessions, but expansionary fiscal policy (more expenditures, lower taxes) is not. Moreover both fiscal and monetary policies are associated to a stronger recovery, but fiscal stimulus is more efficient in economies that have low levels of public debt.

Governments have been influenced by the two sets of ideas. Some have embarked in large expenditure programs while others have kept a closer control of the fiscal deficits; some have concentrated support on the unemployed while others have established programs of general support for wages and industries (such as programs to renew cars, to subsidize electrical appliances, or to keep employment in markets that have been hit harder, such as hotels).

I.5 Towards a Favorable Future

Year 2009 has been a difficult year for workers across the Americas. Nevertheless we must remember that recessions are a normal feature of the economy, and that much more is known today than in 1929 about how to deal with these episodes. Moreover, we also should keep in mind that the most important steps for implementing social security institutions in the Americas were taken after the Great Depression, and our societies are better prepared to support those in need.

Our brief comparison between the Great Depression and the current recession as well as of the policies being adopted demonstrates that each country is different and that, as a consequence, each of them should find their own best policy package. But in these moments of distress we must see beyond the short term and think about how our social security systems can be improved to protect the well-being of the population during good, but especially during bad moments. The issues of lack of coverage, of defective administration, and of segmentation of social insurance are more evident when the overall economic situation makes it harder to support higher financial assistance consumption levels.

Well-designed social security plans should be there to protect families, but also to protect the social fabric as a whole. It will always be better to rely on national permanent policies designed under a long-term and comprehensive view of the risks than on improvised, urgent, disconnected, and sometimes contradicting actions.

The aim of this Report is to provide information that supports the design and the evaluation of social security programs. Nevertheless, since we are providing information that has been produced for the majority of the countries for the first time, this Report should be seen as a basis for deeper study. The assessment of this chapter says that a new Great Depression is unlikely. In the next chapter we will see that we can expect substantial wage stability, but also significant increases in unemployment and probably in long-term unemployment. Chapters III, IV and V point out that there is quite a bit of work to do in the areas of UI, pension systems, and health insurance. Overall the main message we would like to convey through this Report is that we can be

optimistic about the ability of our societies to face the challenges of the economic recession, but that it would be foolish to expect that social issues will be self-correcting.